FINANCIAL TIMES

Call centres
Death of the branch office
Peter Martin, Page 10

Trade in adversity
The economics of a refugee camp
Page 6

Bank of Japan
A yen for the dramatic
Page 6

World of its own
Virtual reality in a wheelchair
Page 8

World Business Newspaper
THURSDAY FEBRUARY 22 1996

Unilever links with wildlife group to save fish stocks

Unilever, one of the world's biggest buyers of frozen fish, is joining forces with the World Wide Fund for Nature in the first attempt to harness consumer power to tackle the global fisheries crisis. The partnership, to be announced today, aims to create a new standard for fish products from "sustainable" sources. The idea is that this would become the industry norm, forcing industrial fleets to change their indiscriminate fishing practices if they want to keep their markets. Page 12

Wall Street stock and bond prices rebounded after Tuesday's losses, as investors reacted favourably to comments from Alan Greenspan, the Federal Reserve chairman, that long term interest rates could fall significantly if progress towards a balanced budget was made. By lunchtime, the Dow *Jones Industrial Average was 46.24 higher at* 5,504.77 while the 30-year Treasury bond was around three-quarters of a point higher. Fed chair*man shows 'born again' spirit, Page 5; Currencies,* Page 21; World Stocks, Page 30

Hanson executive joins RJR raiders: Bennett LeBow and Carl Icahn, the corporate raiders trying to force an immediate break-up of RJR Nabisco, the US food and tobacco group, have *recruited a senior tobacco executive. He is Ron Ful*ford, who has resigned as executive chairman of Imperial Tobacco, one of the UK's largest cigarette makers and part of the Hanson industrial conglomerate. Page 13

Dutch state to sell chemicals group stake: The Dutch state plans to sell a 20 per cent stake in DSM, the chemicals group, to a small group of institutional investors. The 7.34m ordinary shares will *be worth about Fl 1.12bn ($687m). Page 13*

Puma to place Proventus holding: Puma, the German sports shoe and clothing company, is looking to attract a wider spread of domestic and foreign shareholders through a placement of a large slice of the majority stake held by Proventus, the Swedish investment group. Page 14

Oracle and Verifone in internet venture: Oracle, the leading US database software company, and Verifone, the largest supplier of credit card verification systems, have formed an alliance to develop an "end-to-end" system for secure electronic commerce on the Internet. Page 16

UK minister rebuffed over jail sentences: The UK *home secretary's power to decide when to* release prisoners serving indeterminate sentences has been called into question by the European Court of Human Rights. Page 7

European group in Hungarian TV bid: CLT Multimedia, the Luxembourg-based European *media group, intends to bid for the concession for* Hungary's second television station, the first terrestrial station the country is offering to private investors. Page 15

Elf Aquitaine profits recover: Elf Aquitaine, the French oil, chemicals and drugs group, announced a turnround to net profit of FFr5bn ($994m) for last year. Heavy provisions led to a FFr5.4bn loss for 1994. Page 15

Gehe lifts bid for UK chemist: The battle for UK pharmacy chain Lloyds Chemists remained finely balanced after Gehe of Germany increased its takeover bid from £584m, to £650m. Page 13; Lex, Page 18

Skandia to sell US reinsurance offshoot: Skandia, the leading Swedish insurer, ended a century-long involvement in the US reinsurance market when it agreed to sell Skandia America Reinsurance Corp for SKr2bn ($292m). Page 14

Astra plans New York listing: Shares in Astra rose almost 5 per cent after the fast-growing Swedish drugs group showed a strong increase in 1995 profits and unveiled plans to list its shares on the New York Stock Exchange. Page 15

Yeltsin moves to appease unpaid workers: President Boris Yeltsin sought to appease millions of unpaid Russian workers by sacking several high-level civil servants and executives in partially privatised companies. Page 3

Turkish parties 'far from agreement': Mesut Yilmaz, the leader of the Turkish Motherland party, warned he was still far from reaching an agreement with the Islamist Refah party on forming a government. Page 3

Cricket World Cup: Sri Lanka stayed at the top *of Group A when Zimbabwe's 228-6 was overhauled* with six wickets and 13 overs to spare in Colombo. In the other match in the group, played at Gwalior, India dismissed the West Indies for 173 and went on to win by five wickets.

■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,505.85	(+47.32)
NASDAQ Composite	1,091.72	(+8.48)
Europe and Far East		
CAC40	1,936.90	(+4.54)
DAX	2,391.12	(+8.51)
FT-SE 100	3,725.6	(+11.0)
Nikkei	20,372.23	(-283.44)

■ US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Treas Bills: Yld	4.950%
Long Bond	95½
Yield	6.342%

■ OTHER RATES

UK: 3-mo Interbank	6⅛	(6⅛%)
UK: 10 yr Gilt	97⅝	(97⅜)
France: 10 yr OAT	103.87	(103.30)
Germany: 10 yr Bond	97.80	(97.21)
Japan: 10 yr JGB	109.775	(110.298)

■ NORTH SEA OIL (Argus)

Brent 15-day (Apr)	$17.87	(17.545)

■ GOLD

New York: Comex		
(Apr)	$404.0	(401.1)
London:		
close	$397.55	(402.0)

■ DOLLAR

New York: lunchtime		
£	1.5425	
DM	1.4535	
FFr	5.01245	
SFr	1.18615	
Y	105.125	
London:		
£	1.5445	(1.5444)
DM	1.4513	(1.4533)
FFr	5.0018	(5.0079)
SFr	1.1845	(1.1837)
Y	105.15	(106.11)

■ STERLING

DM	2.2415	(2.2444)
Tokyo $ close:	Y 105.025	

Albania	LEK 220	Germany	DM4.00	Lithuania	Lts 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.85	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk65
Bulgaria	Lw130.00	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Cyprus	C£1.20	India	Rs75	Nigeria	Naira90	Spain	Pta250
Czech Rp	Kc60	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20
Denmark	DKr18	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Syria	S£85.00
Estonia	Ekr 22	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
Finland	FM15.50	Kuwait	Fils.850	Portugal (m'land)		Turkey	L70,000
France	FFr11.50	Lebanon	LL3,000		Es240	UAE	Dh12.00

Thomson electronics group to be privatised ■ Aérospatiale and Dassault will merge

France shakes up defence industry

By David Buchan in Paris and Bernard Gray in London

The French government yesterday made a dramatic start to its plan to restructure the country's defence industry by announcing the privatisation of the Thomson electronics group and plans to merge France's two aircraft makers, Aérospatiale and Dassault.

The moves came on the eve of President Jacques Chirac's meeting today with ministers and service chiefs at a special Defence Council. After it he will unveil on national television his plan to replace France's heavily-conscript army with a smaller, professional force.

Mr Alain Juppé, the prime minister, told the National Assembly the government's aim was "to restructure the arms industry around a civil and military aeronautic pole [centred on Aérospatiale-Dassault] and a second, electronics pole constituted around a privatised Thomson". Mr Charles Millon, the defence minister, said he hoped that revamped French *defence companies would play* "a federating role in Europe", increasing alliances with companies in neighbouring countries.

But it emerged last night in Paris that one of the reasons behind the departure of Mr Alain Gomez, the long-serving president of both Thomson SA, the state holding company, and its *defence subsidiary, Thomson-CSF,* was talks which the group has held on an alliance with General Electric Company of the UK.

Mr Gomez's support for an alliance with GEC seems to have cut across the government's belief that French companies should first regroup among themselves *and then, from a position of* greater strength, seek new European tie-ups.

GEC is interested in forming an alliance with Thomson-CSF when it is privatised. Thomson-CSF could be offered to the public on the stock market or sold to either the Lagadère group, which contains the Matra *electronics and missiles business,* or Alcatel, the electronics and telecoms company. GEC could then pool its Marconi defence electronics business with the combined French groups. However, other buyers are also thought to be interested.

The more public line on the dismissal of Mr Gomez, brought *in by the Socialists in 1982 to* supervise the nationalisation of Thomson, was that the group needed someone new to take it back into the private sector.

Mr Marcel Roulet, who was last year relieved of the presidency of France Télécom for urging faster privatisation of the utility, has been appointed the new head of *Thomson, which is to be sold by* the end of this year.

The government also announced it wanted to see "a strategic, industrial and financial rapprochement" between Aérospatiale and Dassault, and that a "pilot committee" of the two companies' managements had been created with the goal of pro*posing by the end of June how* the two companies could be united in "a single group within two years". The French state controls Aérospatiale, which makes the country's nuclear missiles as well as civil aircraft like Airbus, helicopters and missiles, and it owns a substantial stake in Dassault, the maker of military jets such as the Mirage and the new Rafale. Dassault has recently launched a publicity campaign in favour of the Rafale to try to ward off the threat of orders being cancelled or delayed by the French defence ministry.

In spite of the fact that Dassault is profitable while Aérospatiale is not, Dassault shares – 4 *per cent of which are held by the* public – yesterday rose sharply on the Paris Bourse after news of the merger study.

Battle plan for French defence industry, Page 2; Rühe warning on arms, Page 7; Editorial Comment, Page 11; Lex, Page 12

Dole faces call to quit after losing primary to Buchanan

By Jurek Martin in Manchester, New Hampshire

The three frontrunners for the Republican presidential nomination tore into each other yesterday after Mr Pat Buchanan's victory in the New Hampshire primary, which squeezed Senator Bob Dole into second place.

Mr Buchanan, already on the campaign trail in South Carolina, predicted that if he beat Mr Dole in just one important state primary over the next month the Senate majority leader's campaign would "implode". The Republican establishment was now "panicking" *over his suc*cess, he said.

Mr Lamar Alexander, the former governor of Tennessee who finished a respectable third, called on Mr Dole "to get out now" and clear the way for him to take on Mr Buchanan, whose trade and economic policies he said were culled from Democratic *ideas.*

Mr Dole, politically wounded in New Hampshire for the third *time in his career, was in feisty* form. Dismissing Mr Alexander as "broke, like I was in '88" and incapable of matching his own national organisation and money, he characterised his struggle with Mr Buchanan as one between "the mainstream and the extreme". But he conceded he might need to change "bits of" his message, widely seen in New Hampshire as being inarticulate and overwhelmingly negative. *"You'll see the real Bob Dole out* there from now on," he said.

The final results gave Mr Buchanan 27 per cent, Mr Dole 26 per cent and Mr Alexander 23 per cent, with Mr Steve Forbes, the millionaire publisher, far back on 12 per cent and Senator Dick Lugar of Indiana leading the also-rans with 5 per cent.

The early delegate count for the Republican convention, with 996 votes needed to win the nomi*nation,* has Mr Buchanan with 27, Mr Dole 16, Mr Alexander nine, Mr Forbes five and two apiece for Mr Alan Keyes, the black conservative, and Senator Phil Gramm, who has withdrawn.

Democrats could hardly contain their satisfaction at the opposition's disarray. Ms Ann *Lewis, deputy* chairman of the Clinton-Gore re-election campaign, said the "fractious and polarised" nature of the Republican race stood in "clear contrast" with President Bill Clinton's vision of the future.

She took particular pride in Mr Clinton's score of more than 90 per cent of the vote in the concurrent Democratic primary, in which he was opposed by about 20 fringe candidates. That looked

Continued on Page 12
Fighting for the party's heart and soul, Page 5
Editorial Comment, Page 11

Bremer Vulkan workers leave the main Bremen plant yesterda[y] protest march through the city centre

Volvo profits den[t] by fourth quarte[r] loss in car divisi[on]

By Hugh Carnegy in Stockholm

An unexpected loss by Volvo's car operations in the fourth quarter of last year has hit the Swedish vehicle maker's 1995 profits and yesterday prompted a reverse in its share price.

The car division, Volvo's biggest unit, slid to an operating loss of SKr841m ($122.4m) in the final quarter, compared with a *profit of SKr700m* in the same period of 1994, because of rising development costs and adverse currency effects.

Mr Sören Gyll, Volvo's chief executive, said the performance of the car division at the end of the year was "very bad and unacceptable". The division plans to cut 2,260 jobs from its 30,000-strong workforce, reducing white-collar functions and slimming down production in Sweden, Belgium and Canada.

Combined with a weaker fourth quarter trend in the highly profitable truck operations, the reverse in the car division held back Volvo's full year group pre-tax profit to *SKr13bn, well below the record* 1994 surplus of SKr16.4bn and some SKr2bn below market expectations.

Volvo's most-traded B shares fell on the news, closing down SKr2.50 on the day in Stockholm at SKr134.50.

The car division's difficulties underlined those facing Volvo since it broke off merger plans with Renault of Fr[ance] *1993 to focus on its* truck operations. A[...] truck division has [...] cessful, Volvo is [...] establish viability [...] sized independent [...]

Last year car sa[...] per cent to 374,600 [...] increased its market sha[...] US, Europe and Japan, its [...] markets. But soaring de[...] ment expenses for broadening i[...] product range and SKr1.2bn costs caused by the strengthening of the Swedish krona held back profits. The division's full year operating profit fell from SKr2.7bn to SKr1.1bn, leaving the operating margin at 1.3 per cent, far below the 7 per cent target.

Analysts said development costs in the car division running at an annual rate of more than 7 per cent of sales were too high. Mr Tuve Johannesson, head of car operations, agreed that costs "rose altogether too quickly in 1995".

He stressed, however, that Volvo remained committed to its heavy investment programme *which would eventually lead to* better profitability – although he declined to say when profit margins would start to rise again.

The truck operations have become the driving force of the group. Sales in 1995 rose to a record 76,500, up 12 per cent on 1994. Operating profits rose from

Continued on Page 12

German shipyard seeks protection from creditors

Bremer Vulkan expects DM1bn loss amid divisional insolvencies

By Judy Dempsey in Berlin

Bremer Vulkan, Germany's largest shipyard, filed for protection from its creditors yesterday, saying it expected losses of more than *DM1bn ($688,000) last* year and several of its divisions were insolvent.

Following its announcement, Bremer Vulkan shares plunged DM17.70. They closed down DM13.55 at DM15.75. The shares had been suspended from trading since last Friday after the European Commission said it had started investigations into the alleged misuse of funds totalling DM600m. The state-backed funds had been earmarked by Bremer Vulkan for its two shipyards in east Germany.

The Commission had also held up the release of state-guaranteed bank credits of DM220m to the company. A bank consortium, headed by Commerzbank, had already granted a state-backed DM300m credit line to Bremer Vulkan last September, the first clear signal that the company was facing financial difficulties.

Mr Karel Van Miert, the European commissioner for competition, yesterday denied any responsibility for Bremer Vulkan's financial problems. "It is on the side of Bremer Vulkan that there was foul play. Its board denied the east German shipyards money they needed to survive." Yesterday's announcement by Bremer Vulkan followed five hours of talks among the management in an attempt to find a way of preventing bankruptcy and saving nearly 23,000 jobs in the company's west and east German shipyards.

The so-called "composition" formula it has chosen under German law allows a company to scale down its debts while banks agree to forgo a percentage of outstanding debts over a specified period.

But Mr Frank Teichmüller, regional head of IG Metall, the *engineering union and a member* of Bremer Vulkan's supervisory board, described the decision as "a blow for freedom". Thousands of jobs were under threat despite the fact the company had DM7bn of orders on its books.

Any yard closures would have a severe impact on the regions in which the company operates. The north German city state of Bremen, home of Bremer Vulkan, has an unemployment rate of 14 *per cent, considerably above the* west German average. The east German state of Mecklenburg-Vorpommern, where Bremer Vulkan's eastern shipyards are located, has an unemployment rate of more than 18 per cent.

Last September, Bremer Vulkan reported group sales of DM2.3bn for the first half of last year and losses of DM27.4m over the same period. "Yesterday's estimated DM1bn losses for the whole of 1995 really shows how financially strapped the company is," an analyst said.

Mr Udo Wagner, appointed chairman last December, said the company still required DM1.5bn this year to finance the building of a ship and meet *DM400m of* short-term company payments. An additional DM750m was *required for long-term invest*ments, but Mr Wagner did not say from which financial institutions it would receive credits. Bremer Vulkan already has outstanding debts of more than DM1bn, the majority held by the Commerzbank consortium.

Mr Günter Rexrodt, Germany's economic minister, and the Bremen state government both said they would use all means available to save jobs but neither *would commit themselves to pro*viding financial assistance.

Struggle to remain afloat, Page 2
Leaky lifeboat, Page 11
Lex, Page 12

CONTENTS

LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO

Berlusconi fails to win delay in bribes trial

By Robert Graham in Rome

A Milan judge yesterday rejected a request by Mr Silvio Berlusconi, Italy's former prime minister and leader of the rightwing alliance, to interrupt his trial on charges of alleged corruption for the duration of the election.

This means Mr Berlusconi's unresolved judicial problems could have an unpredictable impact on the election battle over the next two months.

The request had been made by Mr Carlo Taormina, who is the lawyer for one of the co-defendants in the trial but who is also believed to be close to Mr Berlusconi. The move was seen as an attempt to prevent the court case spilling over into the electoral arena.

However, Mr Berlusconi was able to draw some satisfaction from another court ruling yesterday. This stated that the corruption trial could not include a substantial block of evidence on the alleged illicit offshore operations of Mr Berlusconi's Fininvest business empire.

Silvio Berlusconi: good news and bad

Anti-corruption magistrates in Milan waited for more than a year for the Swiss authorities to agree to hand over extensive documentation on the movement of Fininvest-linked funds – including transfers to nominees of former Socialist premier Mr Bettino Craxi.

Yesterday the judge ruled that the trial could only focus on the specific cases of bribery in the charge sheet. At the same time he disqualified some prosecution witnesses, but allowed the defence to call Mr Antonio Di Pietro, the anti-corruption magistrate responsible for Mr Berlusconi's original indictment.

Mr Di Pietro, also an aspiring politician, is himself under investigation for alleged abuse of office and was in a Brescia court yesterday.

Mr Berlusconi, the media magnate turned politician, is on trial for allegedly being party to bribes paid to the Guardia di Finanza (financial police) to ensure benign tax inspections of companies in the Fininvest group. Fininvest managers have admitted to paying these bribes but Mr Berlusconi has insisted he knew nothing about them.

So far the trial, which began late last month, has been taken up primarily with procedural matters. But this court ruling enables the case to get under way, although Mr Berlusconi's lawyers may seek to raise more legal objections.

The question of finding a solution to the huge number of corruption cases involving businessmen, politicians and civil servants could be a major issue in the elections due on April 21. However, Mr Berlusconi's position makes it awkward for the rightwing alliance to raise the matter.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
GERMANY:
Responsible for Advertising: Colin A. Kennard. Printer: Hürriyet International GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg. ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Maraviglia, 42 Rue La Boétie, 75008 PARIS. Telephone (01) 5376 8254. Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
R

Half a million jobs could be lost, business survey shows

No growth seen for Germany

By Peter Norman in Bonn

Germany's economy will do little better than stagnate this year and could shed up to 500,000 jobs, the country's federation of chambers of industry and commerce (DIHT) warned yesterday.

Based on its latest twice yearly survey of 35,000 companies, the DIHT forecast near zero growth in western Germany and an increase of about 3 per cent in east German output this year. Only last November the DIHT was forecasting all-German growth of 2 per cent this year. In a bleak end-January forecast, the Bonn government predicted growth of 1.5 per cent in Germany as a whole, with western German growth of about 1 per cent against 4-6 per cent in the east.

Mr Franz Schoser, the DIHT chief executive, said yesterday that the German economy had slowed sharply since the start of 1996 and it would be difficult to pick up speed as the year progressed. He said the mood among businesses had "sunk to a low" primarily through disappointment at the government's failure to produce a credible strategy to restore growth. Low interest rates and stable prices were insufficient to secure recovery.

The DIHT survey is highly regarded because of the large number of companies questioned.

The latest poll shows a striking reversal in German business optimism over the past 12 months. In economically dominant western Germany some 34 per cent of companies said they expected business to worsen this year compared with 1995, while only 18 per cent expected an improvement. A year ago the proportions were reversed, with 37 per cent expecting an improvement against 18 per cent forecasting a deterioration.

The latest survey showed that 38 per cent of companies in western Germany planned to shed labour this year against only 7 per cent planning to take on more staff. The outlook was little better in eastern Germany where 27 per cent of companies planned to cut jobs against 10 per cent planning new hirings.

Mr Schoser said Germany's construction industry was on the edge of recession, private consumption was sluggish and investment plans had been curtailed, although he did not rule out a recovery in investment if exports proved resilient this year.

A recovery in employment would depend on longer term developments, including wage restraint over a period of years, more flexibility in working hours and labour contracts, reduced taxes and other charges and a thorough deregulation of Germany's economy.

Bremer Vulkan struggles to remain afloat

By Wolfgang Münchau in Frankfurt

Bremer Vulkan Verbund, Germany's largest shipbuilder, yesterday applied for an increasingly little-used bankruptcy procedure – known as *vergleich* – in a desperate effort to keep afloat.

The company said yesterday it needed about DM2.2bn (£960m) in short-term finance to pay its bills, to provide working capital and to fulfil outstanding commitments in eastern Germany. Vulkan lost more than DM1bn last year and has over DM1bn in debts, mostly to three German banks: Commerzbank, Vulkan's main bank, Dresdner Bank and Bremer Landesbank.

Three banks yesterday issued a characteristically tight-lipped statement expressing "disappointment" at what happened, adding they had gone to the limits of support that was "economically justified". Since August, about DM700m has been funnelled into the shipyard. But the banks did not disclose details of how much they had lent.

For Commerzbank, the difficulties of Vulkan come at an awkward time, only a few weeks after Daimler-Benz ended financial support for Fokker, the Dutch regional aircraft maker which is another big Commerzbank client.

The bank said yesterday its accounts would show a write-down of DM100m against what it claimed would be a worst-case scenario. Unsecured loans from Commerzbank to Vulkan are running in the "low double-digit millions", according to a spokeswoman.

The banks support the *vergleich* procedure – the word means "composition" – as a means to "conduct a search with all participants for a way to limit the negative impact on the region and on jobs".

Under German insolvency law, *vergleich* is a procedure intended to stave off bankruptcy by reducing and rescheduling a company's debts. But a company itself must meet a number of stringent conditions – for example, it must have sufficient funds to pay its wages and other ongoing business expenses – which are rarely fulfilled.

Vergleich is used in only three in 1,000 insolvency cases. Its intent, similar to Chapter 11 proceedings in the US, is to give companies a breathing space during which they can restructure their operations and give creditors the chance to recoup at least part of their investments.

If creditors agree to accept the procedure, debtors must repay at least 35 per cent of their debts within 12 months, or 40 per cent within 18.

The *vergleich* is the most constructive insolvency practice under German law, which is by and large more creditor-friendly than the US Chapter 11, although the balance may change after more liberal insolvency laws take effect in 1999.

While it may be a rare form of insolvency proceeding, it has been the method used for big companies whose demise would have been a political as well as a commercial issue. Bremer Vulkan is especially sensitive, because it is a large employer in a region of high and rising unemployment, and because of its commitments – or rather alleged failure to honour commitments – to eastern German shipyards.

The company yesterday lodged the official application for *vergleich* at Bremen's magistrates' court. The next step is that the court appoints a local lawyer to act as an administrator. If the court agrees that the procedure can be applied, it will determine how long it can take. If the court does not approve, the case turns into a bankruptcy proceeding.

The most celebrated recent cases of *vergleich* involved the AEG electronics group and the engineering company Klöckner-Werke. The procedure succeeded in rescuing both companies, although this is more the exception than the rule.

After years of losses AEG applied for *vergleich* in the early 1980s. It continued to operate for almost two years under the procedure and ended up with a clean, largely debt-free balance sheet. Later, however, under the new ownership of Daimler-Benz, AEG reverted to its habits of loss-making, until early this year when Daimler-Benz decided to pull the plug.

Work went on as usual at Bremer Vulkan in Bremen yesterday as the group fought to survive AP

The company said yesterday it needed about DM2.2bn in short-term finance to pay its bills

Battle plan for French defence industry

David Buchan explains Chirac's ambitions for Thomson, Aérospatiale and Dassault

Six years after the Berlin wall fell, France is at last trying to catch up other western countries in restructuring its defence industry.

Yesterday the government announced plans to privatise by the end of this year the Thomson group, which controls Thomson-CSF, one of Europe's largest defence electronics companies, and to launch merger talks between France's two aircraft makers, Aérospatiale and Dassault, "with the aim of creating a single group in two years' time".

The overall strategy, which President Jacques Chirac will spell out in a television interview tonight that will also encompass his plan to introduce a fully professional army, is first of all to regroup France's fragmented defence industry. Then, from a position of greater strength, the French hope to negotiate European alliances to take on ever fiercer competition from the restructured defence companies of the US.

Thomson-CSF has made no secret of its belief that its future lies more in European alliances or acquisitions than in tying the knot with domestic rivals, though its privatisation will probably tempt the Lagardère and Alcatel groups to reach for their cheque books.

Likewise, the planned merger of Aérospatiale, which already has an extensive partnership with Daimler-Benz Aerospace (Dasa), and Dassault, which has just formed a joint company with British Aerospace to co-operate on fighters, could be a precursor to Europe's three leading aircraft industries joining hands.

The Thomson SA holding group, which takes its name from a 19th century American engineer, has two very different halves to it. It has a controlling 58 per cent stake in Thomson-CSF, which sold FFr36.4bn ($7.2bn) worth of professional electronics (two-thirds military), and has 100 per cent ownership of Thomson Multimedia, making FFr38bn-worth of televisions and VCR equipment a year, and with its takeover of RCA is the market leader in the US.

Privatisation has always been complicated by the group's FFr20bn debt, for which Thomson Multimedia is almost wholly responsible and Thomson-CSF hardly at all.

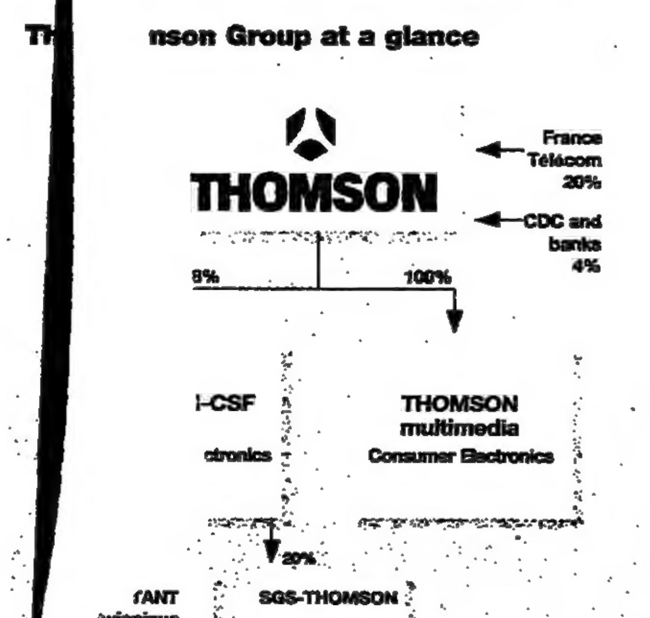
The former president of Thomson, Mr Alain Gomez, had long ago told the government that it should either merge Thomson-CSF into the Thomson SA holding and sell the lot together, or sell Thomson-CSF.

Frustrated by the government's refusal to make up its mind on his suggestions, Mr Gomez continued his international negotiations and had recently started talks with Lord Weinstock of GEC in the UK on an alliance.

Concerned that such a move would pre-empt its strategy of putting French alliances before European ones, the government decided it had had enough of the crusty Mr Gomez, who had been brought in by the Socialists in 1982 to supervise Thomson's nationalisation. Yesterday it replaced him with Mr Marcel Roulet, a gentler character who was relieved of the presidency of France Télécom last year.

French governments have vainly tried before to use their considerable influence over Aérospatiale and Dassault to effect a marriage to make savings in two expensive companies. In 1992-93 Mr Pierre Joxe, the last Socialist defence minister, thought financial engineering could do the trick. He created a holding company called Sogepa and into it placed the state's ownership of Aérospatiale and some of its potential majority stake in Dassault.

Nominally the state has 46 per cent of Dassault but, with double voting rights on 10 per cent of these shares, could exercise a majority over the 49.9 per cent held by Mr Serge Dassault. But nothing resulted apart from a bland co-operation agreement by the two companies to work together on new materials.



Able to ignore pressure from the outgoing Socialists, Dassault has now had to bow to the incoming Gaullists, who are using the even more powerful lever of military orders on which the company is very dependent. In recent days, Dassault has in fact launched a big publicity campaign in French newspapers for its new Rafale fighter aircraft to try to stave off any cuts in its key programme.

Mr Chirac has let it be known that in merging with a company five times its size, Dassault's interests must be safeguarded. Dassault can point to its own profitability which, though modest, is in sharp contrast to the perennial losses of Aérospatiale. Dassault is indeed virtually the only French defence company to have successfully "downsized".

It has shrunk over the past six years from an 18,000-strong company selling FFr19bn, to a workforce of 10,000 and turnover of FFr11.6bn while avoiding strikes and staying in the black.

But there is logic driving the two companies to the altar. As one observer put it: "Dassault is a company with money but no future, and Aérospatiale has a future but no money."

Editorial Comment, Page 11
Lex, Page 12

Bulgaria seeks to calm fears over banks

Bulgaria's government does not plan any additional measures to head off problems for some banks caused by a series of deposit withdrawals, Mr Roumen Gechev, the economy minister, said yesterday, Reuter reports from Sofia. "There are no reasons to panic," he said. "The problems in the banking sector are not so serious that additional government steps are needed."

In the past two months several banks, including the Bank for Agriculture Credit-Vitosha, have hit serious liquidity problems because of large deposit withdrawals ranging from Lv800m ($10m) to Lv3bn. The withdrawals were triggered by speculation that the banks concerned were about to close, though none has done so.

Within a week the cabinet is expected to discuss a draft bill allowing banks to go bankrupt. The current problems stem mainly from non-performing loans accumulated since 1991, said Mr Gechev, whose ministry oversees the banking sector. Total debts owed to Bulgaria's commercial banks amounted to Lv372bn by February 9. Of these some Lv174bn were owed by the state sector and the remaining Lv198bn by private companies.

"We expect a rise in interest payments [on banks' debts] because of their huge non-performing loans. Therefore, the cabinet programme for bank stabilisation stresses the need to stop banks extending further bad loans," Mr Gechev said.

He declined to say whether and when Bulgaria would set up a "hospital bank" or a smaller agency for clearing bad corporate loans to commercial banks and other concerns. This project was among items discussed with a World Bank technical mission that visited Sofia this month.

Control of bank credit policies is a responsibility of the central bank while the government has direct influence only over the behaviour of the state-owned banks, Mr Gechev said.

The Bank Consolidation Company (BCC), which manages state equity in commercial banks, is the main shareholder in the Bulbank, the Balkanbank, the Economic Bank, Mineralbank, Bank Biochim, Hebrosbank and Expressbank. The BCC also has a stake of 25.1 per cent in BAC-Vitosha and of 12 per cent in the Bulgarian Post Bank.

To strengthen control over the state-owned banks the BCC transformed their management system into supervisory and executive boards.

Under the government's bank stabilisation programme commercial banks are allowed to hold only 5 per cent of classified loans in their portfolios.

EUROPEAN NEWS DIGEST

Basque arrest raises tension

Electoral tensions rose in Spain's Basque country yesterday when Herri Batasuna, the political party linked to the armed separatist group Eta, called demonstrations to protest against the arrest of one of its leaders. Police detained Mr Jon Idigoras yesterday outside his home in the Basque town of Amorebieta after he failed to respond to a summons. He was later taken to a court building in Madrid under heavy security to be questioned by an examining judge.

The investigation involves a Herri Batasuna electoral video in which three masked, armed men put forward their political programme.

Police raided party offices last week to confiscate copies of the video, meant for use in party political broadcasts.

The judge's action, prompted by a complaint from the public prosecutor's office, comes amid widespread anger throughout Spain over the recent killings by Eta of a Socialist lawyer and a prominent jurist in the run-up to the general elections on March 3. *David White, Madrid*

Ukraine's sell-off plan vetoed

Mr Leonid Kuchma, the Ukrainian president, has vetoed a controversial privatisation plan backed by communists which proposed to hand over a free 51 per cent stake in the country's food industries to collective farm directors, even if the companies already had been privatised.

Mr Kuchma had vetoed a similar statute last year. The plan would have kept the vertical monopoly in agriculture in place and taken almost half the companies from the government's mass privatisation programme. The Communist-dominated parliament currently lacks the votes to override Mr Kuchma's veto.

The Ukrainian president, who was in Washington yesterday, used the veto to press the International Monetary Fund and US government to renew financial aid, suspended last month after Kiev failed to meet conditions on its $1.6bn stand-by loan. The IMF made a resumption conditional on Kiev rejecting the privatisation plan.

A 1996 budget must still be passed for Ukraine to get back on the programme. The IMF now tentatively plans to disburse $900m between April and September, when Ukraine could start on a new three-year $3bn loan, according to an IMF official. "But we must implement our promises, not only declare a commitment to reform," Mr Kuchma said after meeting the IMF director, Mr Michel Camdessus. *Matthew Kaminski, Kiev*

US plea to Sarajevo's Serbs

Mr Warren Christopher, US secretary of state, yesterday urged Bosnian Serbs to resist pressure from their political leaders to flee their homes in Sarajevo ahead of a handover to the Moslem-led Bosnian government.

"I hope that many of the Serbs will remain in Sarajevo, especially those who had long-standing residences in Sarajevo," Mr Christopher said, adding that he hoped they would "not succumb to suggestions or pressures that they leave". The Bosnian government, under the terms of the Dayton peace agreement, is due to take control of the first of five Serb-held parts of Sarajevo tomorrow.

Mr Nicholas Burns, state department spokesman, said: "We are receiving indications that the Bosnian Serb leaders in Sarajevo are encouraging people to leave. We think this is a great mistake."

Mr Alexander Ivanko, spokesman for the international police force based in the Bosnian capital, said local Serb leaders were being intimidated by the leadership in Pale, the Bosnian Serb stronghold. "Local leaders have been threatened, some of them have had their houses broken into for not toeing the line" he said.

Mr Radovan Karadzic, Bosnian Serb leader, yesterday accused the international community of failing to provide adequate security for the Serbs. "Our wish was to have Serbs stay in Sarajevo and we have done everything to persuade them to stay in Sarajevo. However, they do not feel safe and secure. The international community did not give them enough guarantees," said Mr Karadzic. *Laura Silber, Belgrade*

German plan to junk cars free

German carmakers yesterday pledged to take old cars back free of charge at the end of their lives to help protect the environment.

Ms Erika Emmerich, Auto Industry Federation (VDA) president, said the commitment would apply to new cars sold after the deal came into effect and used for a maximum of 12 years. The agreement also involves car importers, parts suppliers, car traders and branches of various industries such as steel.

The environment minister, Ms Angela Merkel, said the necessary rule changes meant the commitment could come into effect in the autumn.

She said carmakers had also agreed to reduce the amount of material in cars which could not be recycled from the current 25 per cent to 15 per cent by 2002 and 5 per cent by 2015. "With this we can approach our goal of developing low-waste, recycling-friendly cars," she said. *Reuter, Bonn*

Palace for future Czech senate

The parliament of the Czech Republic yesterday chose the baroque 17th century Wallenstein Palace as the seat of the future senate, which is to come into being nearly four years after a new constitution laid down provisions for a two-chamber legislature.

Elections for the new senate are to be held in November and the 81-seat upper house will convene for the first time shortly afterwards.

Reconstruction costs for the palace, which currently houses the ministry of culture, are estimated at Kč170m ($6.3m). The palace, in Prague's Lesser Town, is a stone's throw from the current parliament building in Thunovsky Palace. That building will remain the seat of the current 200-member legislature which will then become the lower chamber and be called the chamber of deputies.

According to the Czech constitution, adopted after the Czech Republic and Slovakia split in 1993, the senate will have the power to review laws passed by the lower chamber, but the chamber of deputies has final authority to pass legislation over senate objections by a simple majority vote.

The senate also was given authority to pass legislation on pressing matters on its own, if the lower chamber were dissolved for any reason. *AP, Prague*

Portugal registers rise in output

Portugal's industrial production index gained 4 per cent in the year to November 1995, the National Statistics Institute said.

The index rose 3.8 per cent in the first 11 months of last year compared with the same period in 1994 and increased 0.2 per cent in November compared with October. However, analysts believe the index exaggerates the strength of the recovery of industrial production and that growth of about 3 per cent is a more accurate figure.

Because the broad-based index includes categories such as electricity production and mining, analysts say it tends to be inflated in relation to the real growth of manufacturing output. The index is also criticised because it fails to include AutoEuropa, a car plant jointly owned by Ford and Volkswagen that began operating in mid-1995 and is estimated to account for 10-15 per cent of Portugal's total industrial production. *Peter Wise, Lisbon*

■ The number of unemployed fell in Spain during 1995 by 119,090 to total 3.5m and stand at 22.7 per cent of the workforce at the end of last year, against 23.9 per cent at the end of 1994, according to the government's quarterly employment survey.

■ Sweden's industrial production fell 0.2 per cent in December 1995 from November but was up 4.3 per cent from December a year earlier, according to preliminary figures. During 1995 industrial production grew 9.5 per cent compared with 1994.

NEWS: EUROPE

Yeltsin sacks officials over wages crisis

By Chrystia Freeland in Moscow

President Boris Yeltsin yesterday sought to appease millions of unpaid Russian workers by sacking several high-level civil servants and executives in partially privatised companies.

Mr Yeltsin said the officials, who included the chief of the postal service and a ministry of finance department head, were partially to blame for the Rbs20,400bn ($4.3bn) mountain of wage arrears which has infuriated millions of Russians and dented the president's chances of re-election in a June ballot.

The high-profile purge was the first public step Mr Yeltsin has taken toward fulfilling his campaign pledge to pay off all back wages by March.

But Mr Mikhail Zadornov, the chairman of the parliamentary budget commission, warned that the "search for saboteurs and scapegoats" would not help Mr Yeltsin to fulfil a political promise which he said was economically impossible to meet.

"The wages won't be paid out in March or in April or in May," said Mr Zadornov, a respected economist who is a member of the pro-reform Yabloko faction in parliament. "It is simply physically impossibility to pay out all the wages this spring."

Mr Zadornov said that most of the wage arrears are a symptom of the tangle of inter-enterprise debt which threatens to paralyse the Russian economy and cannot be resolved by administrative fiat. Even the Rbs3,500bn which is owed to state-sector employees would be difficult to pay off immediately, Mr Zadornov said, because ending the wage arrears would require sharp cuts in government spending in other areas.

Mr Yeltsin's high-handed move, and hints from Kremlin officials that some of the dismissed functionaries might be tried on criminal charges, also revealed the increasingly personal and interventionist role the president is choosing to play in the Russian economy.

In addition to sacking government employees, Mr Yeltsin also ordered the dismissal of senior managers in two partially privatised companies: Gazprom, the Russian gas monopoly, and the Russian United Energy System.

During a visit to his hometown of Ekaterinburg last week, Mr Yeltsin went even further, commanding that the president of a private enterprise be sacked for paying himself too large a salary.

As Mr Zadornov warned, the Kremlin leader's new round of purges also threatened to add another element of uncertainty to Russia's already volatile economy.

That danger was underscored yesterday when Mr Evgeny Bychkov, the former head of Russia's Committee for Precious Metals and Precious Stones, learned he had been sacked in the midst of a new round of negotiations on diamonds with De Beers.

Emboldened by a victory this week against Chechen separatists, General Pavel Grachev, the Russian minister of defence, yesterday vowed to cut out the "cancerous tumour" of Chechen rebellion from the body of the Russian state, writes Chrystia Freeland.

Gen Grachev, who was one of the initial architects of the drawn out and widely criticised war in Chechnya, said: "There will be no calm in Russia until we take away this cancerous tumour from its territory." He also mysteriously warned that "Dudayev (the Chechen separatist leader) is but a small fish and Chechnya is a testing ground for the strategic enemies of Russia whose main aim is to split the country and annex part of its territory."

Seven EU signatories agree on closer co-operation over extradition

Schengen states move to heal splits

Seven European Union countries yesterday agreed to tighten co-operation on extradition to avoid a repetition of a diplomatic row between Belgium and Spain over a Belgian court decision to release two alleged Basque terrorists, Reuter reports from The Hague.

The decision may help heal divisions within the Schengen agreement to eliminate border controls for travellers between Spain, Belgium, France, the Netherlands, Portugal, Germany and Luxembourg.

Madrid had suspended compliance with Schengen's extradition clauses after Belgium's supreme judicial authority overturned a government move to extradite a couple suspected of collaborating in an Eta attack.

The fact that two people suspected of guerrilla attacks in one member country have walked free in another has highlighted the difficulties that face EU countries seeking co-operation between their judicial systems.

Mr Johan van de Lanotte, Belgian interior minister, told the meeting that his country and Spain had agreed to hold talks on resolving the situation, averting a Spanish threat to suspend judicial co-operation with Brussels.

Mr Michiel Patijn, Dutch state secretary, said the treaty article dealing with extradition would be re-examined and pressure put on the European Union to adopt a convention tightening procedures on extradition.

The stand-off between Belgium and Spain is only one blow to the Schengen accord, which came into force last March. Last week a five-nation "drugs summit" scheduled for March was postponed because of a continuing clash between the Netherlands and France.

France claims that liberal Dutch policies on the availability of soft drugs has made the Netherlands a conduit for narcotics into the rest of Europe. A particular target is the practice of condoning sales of small quantities of marijuana at coffee shops.

France is a member of the Schengen "club" but cited the dangers of drugs and terrorism as its reason for refusing to join the other six nations in dismantling all border checks on travellers between the countries last year.

France's European affairs minister, Mr Michel Barnier, said yesterday that Paris was still awaiting a firm commitment from the Dutch on the fight against drugs before lifting the controls.

However, the Netherlands has no intention of departing from its liberal policies, under which addicts tend to be treated as patients rather than criminals. The Dutch argue that, by tolerating controlled sales of small quantities of soft drugs, users will not be forced into contact with hard-drug pushers.

A Dutch government white paper recently proposed slightly more restrictive drugs policies: lowering the limit on coffee-shop purchases from 30g to 5g per customer, and roughly halving the number of coffee shops to 600. But it also proposed taking a more benign view of small-scale home cultivation of marijuana.

Brussels backs Aegean court case

By Caroline Southey in Brussels, Kerin Hope and Bruce Clark in Athens

The European Commission yesterday threw its weight behind Greece's insistence that its dispute with Turkey over islets in the Aegean should be settled by international arbitration.

After talks between Mr Costas Simitis, the new Greek prime minister, and Mr Jacques Santer, president of the European Commission, both indicated clear agreement that if Turkey wished to pursue the question of sovereignty in the Aegean it should take its case to the International Court in The Hague.

Mr Simitis told reporters he appreciated the Commission's show of solidarity and hoped the Council of Ministers would give similar support.

The two leaders also held wide-ranging discussions on EU issues, including the forthcoming intergovernmental conference on the future of the Union and Mr Santer's plan for a "solidarity pact" to boost job creation.

Mr Simitis, who was on the first leg of a three-day tour of European capitals, also met Mr Jean-Luc Dehaene, the Belgian prime minister, and Mr Hans van den Broek, the EU commissioner for external relations. He meets German Chancellor Helmut Kohl in Bonn today and French President Jacques Chirac in Paris tomorrow. The tour reflects the new Greek government's determination to end the country's isolation in European affairs and to win support in its disputes with Turkey.

UK foreign secretary Malcolm Rifkind seated at a meeting yesterday in Athens with Greek defence minister Gerasimos Arsenis. Mr Rifkind praised Greece's approach to its dispute with Turkey Reuter

Mr Simitis was accompanied by Mr Theodoros Pangalos, the foreign minister, who held talks with Mr van den Broek. An EU official said the commissioner expressed his appreciation for Greece's efforts to reduce tensions in the Aegean, and explained that the Commission was not "taking sides as far as the legal issue of the dispute is concerned". But he added: "To the extent that sovereignty is at stake let Ankara go to court. Greece has indicated it is willing to follow the legal procedures."

Greece appeared to have softened its approach over the islets in order to win agreement from other EU member-states that Turkey should refer its Aegean claims to international arbitration.

Although Mr Simitis was not expected to request backing for specific Greek positions on the islets and other Aegean quarrels, EU officials said Greece's refusal not to hold direct talks with Turkey about the islets had the support of the Commission.

Greece has maintained there is nothing to talk about as its sovereign rights are not negotiable.

UK officials accompanying Mr Malcolm Rifkind, the UK foreign minister, on a four-nation Balkan trip also made clear that the Greeks would not be pressured to hold direct talks with Turkey on the dispute.

The views expressed by EU officials echoed comments made by Mr Rifkind, who met Mr Simitis on Tuesday. While the UK foreign secretary stopped short of recognising Greek sovereignty in the region, he praised the Greek government for the "constructive way" in which it had averted a military clash with Turkey over the islets.

Greek officials are concerned that Turkey has merely added a fresh dispute to the list of disagreements over airspace, seabed rights and fortification of Aegean islands.

Turkish party doubts on coalition

By John Barham in Ankara

Mr Mesut Yilmaz, the leader of the Turkish Motherland party, warned yesterday that he was still far from reaching an agreement with the Islamist Refah party on forming a government.

He told Hürriyet, a leading opposition newspaper: "Do not think the deal is almost done. We have not yet overcome all difficulties." Mr Yilmaz added: "We have not begun discussing our joint programme. And we set a limit of end-February for the completion of talks on the programme."

Party leaders decided in principle on Monday to rotate the premiership between them, with Mr Yilmaz serving first for 10 months before handing over to Mr Necmettin Erbakan, his Refah counterpart.

However, they could not agree on how to divide portfolios between them. They decided to delegate the task to a "technical committee" which would make recommendations for their next meeting, scheduled for tomorrow. A Motherland adviser explained that many ministries have overlapping responsibilities and the committee of MPs is to demarcate divisions between portfolios more clearly.

Refah, which seeks to transform Turkey's 73- year old secular state into an Islamic republic, emerged as the largest party in December's elections, taking 158 seats in the 550-member parliament. Motherland, a centre-right secularist party, came third with 133 seats.

Motherland is insisting on control of economic ministries, plus defence and foreign affairs. Although Refah is more interested in domestic policy, particularly the education, interior and justice ministries, it has also stated that it wants a role in economic decision-making and security affairs.

Unease over compromises made by both leaders, who have negotiated alone behind closed doors so far, is growing in the rank and file of both parties.

NEWS: WORLD TRADE

Hyundai to own 100% of new India plant

By Mark Nicholson in New Delhi

Hyundai, the South Korean carmaker, has won approval from the Indian government to proceed with the country's first wholly owned foreign car plant in a $700m investment which is expected by 1998 to be turning out 100,000 cars a year.

Indian officials said half the initial investment would be in the form of equity brought into the country over the next four years. The remainder would be raised by Hyundai from local lenders and external markets.

Hyundai's investment is among the biggest and most ambitious of the recent flush of entrants into India's recently deregulated passenger car market. Carmakers Fiat, Peugeot, Mercedes, General Motors, Daewoo and Ford, among others, have begun or announced production joint ventures recently which will raise the range of models on Indian roads by next year to 20 from just 12 in 1995.

The South Korean group is considering sites both in Madras and outside New Delhi for the initial 100,000-car plant to produce the company's Accent model by 1998. A proposed second phase would envisage further investment of $400m to double capacity to 200,000 vehicles by 2002.

Selection of Madras would accelerate the south-eastern state of Tamil Nadu's sudden emergence as a big Indian car-making centre, following Ford's decision to build its planned $800m Fiesta plant in the state, jointly with Mahindra & Mahindra, the Indian utility vehicle maker.

Ford and M&M intend to build 100,000 Fiestas a year, while Daewoo, Hyundai's Korean competitor, has installed capacity of 72,000 cars a year in its joint venture plant with DCM, the Indian commercial vehicle maker, which has already begun producing Daewoo's Cielo model. Ford chairman Alex Trotman yesterday said Ford would also build trucks in India.

HK acts to keep place as gateway to China

Port operators look to alliances, says John Ridding

Change is afoot on the Hong Kong dockside. The companies which operate the harbour berths are locked in negotiations striving to clinch agreement on the construction of CT9, a HK$10bn ($1.3bn) container terminal which will further boost capacity at the world's busiest port.

A deal seems set to involve a significant reshuffle of the existing berths in Hong Kong's harbour which would form part of a broader reshaping of the region's maritime trade facilities.

Prompted by shifting patterns in Asian commerce, consolidation in the world shipping industry and China's continued economic expansion, Hong Kong and its port operators are positioning themselves to stay at the head of the region's trade. Their strategies range from development of ports in southern China to modernisation schemes and the forging of alliances with industry partners.

At stake is whether Hong Kong secures its role as the main trade gateway to China and whether its port operators, controlled by some of Hong Kong's biggest business empires, can maintain their lead. Singapore, Pusan in South Korea and Kaohsuing in Taiwan are seeking a greater slice of regional and transpacific shipments, while many of China's coastal provinces are developing their own facilities.

Neither of the two operators which dominate Hong Kong's port see a challenge to its prospects for the foreseeable future. "Hong Kong's size and sophisticated systems give it an edge," says Mr Mark Leese, managing director of MTL, a private company majority-owned by Wharf Holdings, the Hong Kong conglomerate.

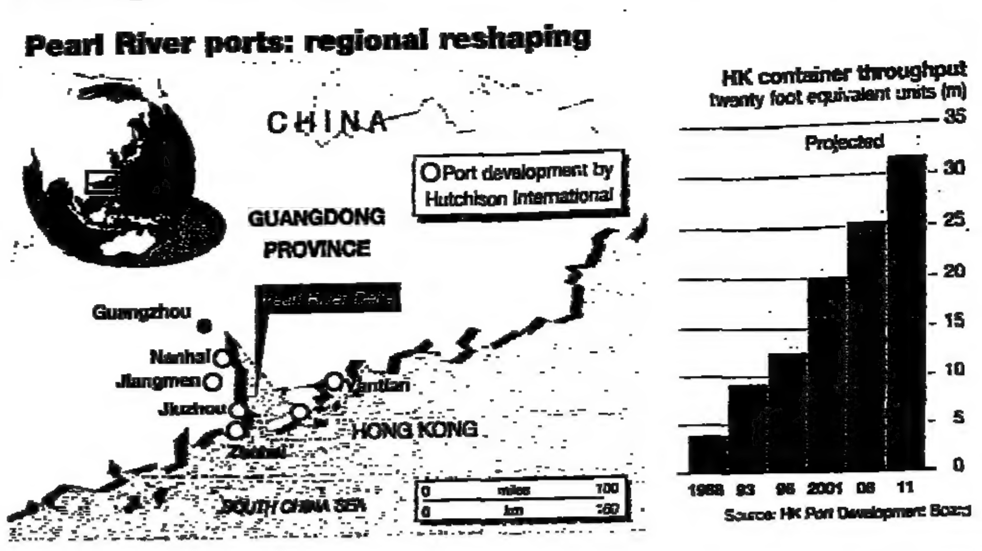
Along the quayside there is agreement from Hutchison International Terminals, part of Mr Li Ka-shing's shipping and property empire which accounts for over half the containers travelling through Hong Kong's Kwai Chung port. "Expansion continues to be robust, despite some cooling," says Mr John Meredith, HIT's managing director.

Just how robust is clear from the figures. Throughput in Hong Kong has risen from just 5m TEUs (twenty foot equivalent units) in 1990 to more than 12.5m TEUs last year.

The Hong Kong Port Development Board forecasts that container throughput will reach 32m TEUs by 2011 – representing an increase each year almost equivalent to the capacity of Felixstowe, the British port owned by HIT.

There are question marks over these forecasts, notably the uncertainty of how much trade could shift to Taiwan should direct economic links be established with the mainland.

Pearl River ports: regional reshaping



Source: HK Port Development Board

But the Port Development Board, which claims that even big diversions would allow long-term cargo growth rates of 6-7 per cent, is more concerned by the need to cope with rising demand.

"What is crucial is the ability to handle the capacity," says Mr Tony Clark, the secretary of the board. To meet forecast demand, two new terminals, CT10 and CT11, are already planned.

CT9, however, has been stalled by a Sino-British tussle and Beijing's objection to the participation of the Jardine group in the Tsing Yi consortium. Executives at the various port operators believe a solution is now close, following a softer line from Beijing and the possibility of reorganising the existing berths.

For the moment, they claim that the delay has been accommodated by increased efficiency. HIT, for instance, has invested HK$1.5bn over the past two years on the automation and computerisation of cargo flows.

But Hong Kong's port operators are already having to respond to new challenges. One is the shifting pattern of regional trade and the spread of development across southern China. "There has been a strong and steady increase in intra-regional trade over the past few years," says Mr Meredith at HIT. "Twenty years ago about 65 per cent of our business was with the US, now the proportion is about half that."

For a port operator this matters, because there is an increasing demand for direct shipments from southern China to destinations within the region. This trade can use smaller vessels than the 3,000-4,000 TEU ships which ply the transpacific routes and which do not need Hong Kong's deep-water port.

HIT's answer is a bold strategy to develop a string of ports across the Pearl river delta region in joint ventures with Chinese industrial and government partners. These range from the river port at Jiangmen city to a facility at Zhuhai. At Yantian, to the east of Hong Kong, HIT is developing a deep water port with initial capacity of 500,000 TEUs and with significant expansion planned by the end of this year.

MTL has been less active in building new ports. "We have taken a more cautious line," says Mr Leese, but he adds that the group is examining strategic investments in the Pearl delta.

"There is a lack of co-ordination and perhaps an over-development of container ports," says one banking executive involved in infrastructure financing.

The outcome, he believes, could be that some of the ports fail to develop.

Of more immediate concern is the challenge of consolidation in the world shipping industry and the impact this might have given the increased number of operators in Hong Kong's harbour.

The government's strategy of increasing competition within the port lay behind the award of some of the new berths to the new Tsing Yi consortium.

But some in the industry voice concerns. "Shipping lines are consolidating and forming consortia and they need ever bigger port handlers," says Mr Leese at MTL. He points to the recent alliance between Hyundai shipping of South Korea and K Line of Japan on transpacific routes.

This agreement cost MTL the Hyundai business, since the Korean group moved to HIT with its new partner to find the capacity they required.

The ships themselves are getting bigger. Next month a new Maersk Line vessel is due to cruise into Hong Kong. With a capacity of 6,200 TEUs, it is more than 20 per cent bigger than anything else on the water.

"Size is increasingly the issue and we are going against the industry trend by having more operators," says Mr Leese.

"All of the big international ports, from Singapore to Rotterdam, have single operators. We should not be dividing our strengths."

The outcome may be further upheaval on the dockside. "Pressure for partnerships, and possibly even mergers, is likely to increase," says one industry executive.

Like the thousands of lorries which rumble through the port gates, the activity in the boardrooms is set to continue.

China's CD piracy irks music sector

By Alice Rawsthorn

The music industry is putting pressure on the US and the European Commission to take a tough line against China in the dispute over computer and entertainment software piracy.

Mr Nic Garnett, director general of the International Federation of the Phonographic Industry, which represents the world's record companies, said the piracy situation had "got worse, instead of better" in the year since the US signed its bilateral agreement with Beijing on intellectual property rights.

He said although Chinese authorities had made efforts to confiscate pirated compact discs, their action was concentrated on retailers, rather than manufacturing plants which are the root of the problem.

Moreover, the IFPI is con

> 'Some $250m of counterfeit CDs and cassettes were sold in China in 1994'

vinced that production of pirated discs in China increased last year and that exports have also risen. Mr Garnett claimed that the quantity of counterfeit Chinese music CDs and CD-Roms confiscated by Hong Kong customs doubled from 250,000 in 1994 to 500,000 last year.

The US has already strongly criticised China, claiming that it has failed to implement the bilateral agreement, the first anniversary of which falls on Monday.

Washington has threatened to impose $1bn of trade sanctions on Chinese exports in retaliation and recently dispatched a team of trade negotiators to Beijing to discuss the issue.

Mr Garnett said it was essential that the US and Europe took a firm line with China to prevent the piracy situation from deteriorating further.

China is the world's largest music market for pirated music with some $250m of counterfeit CDs and cassettes sold there in 1994, according to the IFPI, against $241m of legitimate recordings.

It is also one of the main sources of pirated recordings for other Asian countries, notably Hong Kong and Japan.

The IFPI estimates some $100m of Chinese counterfeit computer and music CDs were sold in Hong Kong alone last year.

The IFPI, which last year closed its anti-piracy unit in Canton after death threats against its personnel, is lobbying the US and EU on four points.

It wants them to press China to allow foreign record companies to manufacture and distribute their products through joint ventures and advocates that the enforcement procedure in the agreement should be simplified, with the Chinese police given responsibility for cracking down on piracy.

The IFPI also calls on China to honour its undertaking to make it illegal to produce or sell CDs without the standard music industry identity codes.

Its final recommendation is that the Chinese should concentrate on curbing unauthorised production units, rather than retailers and wholesalers.

Japan to probe competition in photo markets

By Michiyo Nakamoto in Tokyo

Japan's Fair Trade Commission yesterday announced it would investigate whether there have been anti-competitive business practices in Japanese markets for colour film and photographic paper.

Kodak of the US has claimed that Fujifilm, its Japanese rival, carried out anti-competitive trade practices over decades with the knowledge and participation of the Japanese government, including the FTC. Kodak says these practices have cost the US company $5.6bn in lost exports.

Mr Ira Wolf, Kodak's vice-president, yesterday expressed scepticism that the FTC investigation would produce any market opening. "This appears to be not an investigation but a survey," he said. These surveys were done each year and they did not produce change.

Last July the US trade representative launched an investigation into Japan's film and photographic paper markets after a petition by Kodak.

The commission said yesterday that its probe into Japan's photographic products market was being conducted on its own initiative and not at the request of Kodak.

"We still stand by our view that we did not close our eyes to anti-competitive practices [in these markets]," an FTC representative said.

The FTC's announcement coincides with the first meeting, on Friday, between US President Bill Clinton and Mr Ryutaro Hashimoto since he became Japan's prime minister last month.

The dispute over anti-competitive practices in Japan's photographic product markets is one of the four priority trade areas in which the US government has indicated it would like to see progress before President Clinton's visit to Japan in mid-April.

The Fair Trade Commission has strenuously denied Kodak's allegation that it turned a blind eye to anti-competitive practices in the photographic film and paper markets. However, the FTC recognised Japanese markets for consumer colour film and photographic paper "are characterised by their oligopolistic structures [and] long-term business relationships".

The probe, conducted through the voluntary submission of material and information by concerned parties, is scheduled to produce a report by March 1997.

The FTC has previously conducted similar investigations into markets such as cars and car parts, which the US claimed have been shut to foreign penetration by close ties among Japanese companies.

In the 13 such investigations conducted since 1990, the FTC has not penalised a single company for breach of the anti-monopoly law.

WORLD TRADE NEWS DIGEST

Shell upbeat on link with BASF

Shell Chemicals yesterday said it was "at an advanced planning stage" for a DM850m ($585m) European chemicals plant to be owned jointly with BASF of Germany. The plant, to be built in the Netherlands or Germany, will produce at least 250,000 tonnes a year of propylene oxide and 550,000 tonnes a year of styrene monomer, both of which are used to make specialist plastics.

The growth in demand for propylene oxide had prompted the investment, said Shell. Sales of the chemical have been rising at around 4.5 per cent a year, and are expected to continue at this rate for several years. Prices have also been rising, by 40 per cent in the last two years.

However, propylene oxide is a by-product of styrene monomer, which is facing severe overcapacity problems. This might have curbed Shell's expansion plans, but BASF said yesterday it had a captive market for much of the plant's planned styrene monomer output. The remainder would be sold on the European spot market. Even without the Shell-BASF plant, styrene monomer supply is expected to exceed demand by nearly 3m tonnes a year by 1999, with overcapacity growing steadily from this year. In the last nine months, styrene prices have fallen from $1,400 a tonne to $500 a tonne.

Jenny Luesby

Arco speeds Algeria investment

Arco, the US oil company, says a "good portion" of its planned $1.3bn investment to rehabilitate Algeria's El Baguel oil field will be made in the first four years of the 25 year project. A contract signed last week between Arco and Sonatrach, Algeria's state oil and gas group, calls for a phased increase in production from the current 25,000 barrels a day to a peak of 125,000 bd a day in the next decade.

Mr Jay Cheatham, president of Arco's international exploration and production division, says much of the spending will be concentrated in the project's early phases, with the first gas injection facilities to boost production due to be installed within a year.

Mr Cheatham said Arco agreed to pay a $225m advance bonus payment to Algeria in order to change the traditional terms for "enhanced oil recovery" contracts. Normally companies which rehabilitate older oil fields make money by securing a portion of the incremental production from the field. But in the case of El Baguel Arco will receive 49 per cent of the field's total output. He said the new arrangement should help to avoid future "squabbles" over the base production profile of the field. Sonatrach has recently said that it wanted to use the Arco contract as a "model" for additional oil field rehabilitation projects in the country, which needs higher oil and gas revenues to pay for its struggle against an Islamist insurgency.

Robert Corzine

■ The Malaysian navy will buy missiles and munitions worth about L120bn ($76m) from Otobreda, armaments offshoot of Italy's state-owned Finmeccanica. The arms will be used to equip two ships supplied by Fincantieri, the Italian shipbuilder. In 1995 Otobreda received orders totalling over L850bn.

John Simkins, Milan

■ Ansaldo Trasporti, Italian transport engineering group, said yesterday its Hungarian subsidiary Ganz Ansaldo had won a further L11bn ($7m) order to overhaul 30 trams for Budapest. The award follows a L10bn order to renovate the electrical system on a 47km stretch of the city's tramway.

John Simkins

■ Denmark's Cimber Air has ordered three ATR 45-500 aircraft, from Aero International Regional (AIR), marketing arm of Aviation de Transport Regional (ATR), a joint venture between Aérospatiale of France and Italy's Alenia. To date 485 ATRs have been sold worldwide.

Reuter, Paris

US appeals over petrol ruling

By Frances Williams in Geneva

The US yesterday appealed against the verdict of a World Trade Organisation panel that its rules on cleaner petrol violate international fair trade precepts.

Announcing the appeal in Washington, Mr Mickey Kantor, US trade representative, said the results of the dispute "will not, and cannot, compromise the Clinton administration's commitment to our environmental laws".

The panel ruling has angered environmental and other interest groups which see it as an attack on high US environmental standards. The panel report, released last month, upheld complaints by Venezuela and Brazil that US regulations for cleaner-burning petrol impose a different and sometimes stricter standard on foreign refiners.

However, in a statement yesterday to the WTO dispute settlement body, the panel chairman, Mr Joseph Wong of Hong Kong, stressed that US environmental goals were not in question.

WTO members were free to set their own environmental objectives, he said. However, they were bound to implement them in ways consistent with WTO rules, including equal treatment of imported and domestically produced goods.

The appeal is the first case for the WTO's newly appointed appellate body, which has [illegible] (exceptionally up to 9[illegible]) to deliver its judgment. Three of the seven appellate body members will hear the appeal and their decision will be binding unless overturned by consensus of all WTO members.

Even the groups backing the US appeal see little chance of reversing the panel verdict. However, the US will be given time to change its rules, failing which it can negotiate compensation with Venezuela and Brazil for lost trade or accept some commensurate trade penalty on its own exports to those countries.

The Clinton administration will thus be able to escape taking action before the November presidential election. Subsequently, the US need only bridge the period to the end of 1988 when the offending regulations expire.

Exactly the same standards will then apply to domestically refined petrol and to imports.

● Hong Kong has taken the first step in the WTO's disputes procedure by requesting consultations with Turkey over new import restrictions on textiles and clothing related to its customs un[illegible] with the European Union.

هكذا منذ الأصل

FINANCIAL TIMES
COMPANIES & MARKETS
© THE FINANCIAL TIMES LIMITED 1996
Thursday February 22 1996

IN BRIEF

Buoyant Astra to list in New York

Shares in Astra rose almost 5 per cent after the fast-growing Swedish drugs group showed a 25 per cent increase in 1995 profits to SKr12.06bn ($1.8bn), powered by the success of its anti-ulcer drug Losec, and unveiled plans to list its shares on the New York Stock Exchange. Astra's results maintained the momentum which has taken its market value above $25bn to become the Nordic region's biggest company. Page 15

Puma announces Proventus stock placing
Puma, the German sports shoe and clothing company, announced that Proventus, the Swedish investment group, was to cut its stake from 82.4 per cent to below 50 per cent via a placement of shares. At yesterday's share price, up DM12 to DM436, the placement could raise up to DM200m ($137.6m) for Proventus. Page 14

Borealis rises despite loss in final term
Borealis, one of Europe's largest plastics producers, lifted pre-tax profits to DKr2.63bn ($468m) last year, from DKr625m in 1994. The group enjoyed a strong first half but lost DKr367m in the final quarter of the year. Page 14

Profits at Elf rebound to FFr5bn
Elf Aquitaine, the French oil, chemicals and drugs group, announced a turnround to net profit of FFr5bn ($994m) for last year. Heavy provisions to cover asset write-downs, restructuring and accounting changes led to a FFr5.4bn loss for 1994. Page 15

Paramount puts pressure on Viacom
Viacom, the US media group, saw continued pressure on its Paramount film studio in the fourth quarter, with earnings from the entertainment division down from $22m to $1m. There was also a 33 per cent drop in earnings from the Blockbuster video chain, to $107m. Group earnings were down 8 per cent at $280m. Page 16

Japanese brewers lose their fizz
Japan's three listed brewers, Kirin, Asahi and Sapporo, finished 1995 with a hangover, caused by declining beer consumption following a cool summer and a price war. Page 17

NAB confirms purchase of St George stake
National Australia Bank, Australia's biggest banking group, confirmed it was the "mystery buyer" of shares in St George Bank, the Sydney-based regional concern. Page 17

Zeneca announces seeds spin-off
Zeneca, the life sciences group, is to spin off its seed business, with sales of more than £150m ($231m) a year, into a joint venture with Royal Vanderhave, a unit of the Dutch Suiker Unie group. The joint venture, to be based in the Netherlands, will be among the world's top five seed companies, with sales of £300m a year. Page 18

Indian farmers seek higher cotton quota
India's farm lobby, mindful that this is an election year for its country, is trying to prevail upon the federal government to release extra cotton for export. Page 19

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
CKAG Col pr	690	+	12
Falls			
Aachen Mch Rg	925	–	35
Badenwerk	492	–	18
Haritz	211	–	5
Hochtief	653	–	10
Zanders Fein	144.7	–	8.3
NEW YORK ($)			
Rises			
Boeing	89¾	+	2½
Genesis Hlth	44⅞	+	2⅝
Tosco Corp	47⅞	+	3
Falls			
Allen Grp	18¾	–	1¼
Gerber Scntfc	15	–	1⅜
TDK Corp.	48½	–	2¼
LONDON (Pence)			
Rises			
Comm Union	614	+	16
Flare Group	161	+	11
Jeyes Group	118	+	12
Falls			
Madeys	226	–	11
Stoves	280	–	20
Wagon Indl	389	–	32
TORONTO (C$)			
Rises			
…per Sensors	5⅝	+	1
…ney Gillare	37¾	+	2¼
… Tri Star	5⅜	+	⅜
Falls			
Euro Nevada	50	–	1⅜
Imax Corp	41½	–	1½
Precision Dr.	20½	–	1
PARIS (FFr)			
Rises			
Air Liquide	898	+	8
Club Med	461	+	9.2
Docks France	865	+	11
Seb SA	687	+	23
Falls			
Thomson CSF	119.1	–	14.9
Valeo	267.5	–	10.3
TOKYO (Yen)			
Rises			
Takaoka Elec	599	+	31
Falls			
Kaito Mauf	740	–	19
Mazda Motor	409	–	21
Mitsui Soko	850	–	36
Orient Corp	531	–	26
Tokyu Car	690	–	29
BANGKOK (Baht)			
Rises			
Krungthep	148.0	+	13.0
PCM Precast	93.5	+	6.5
Sri Charoen	78.5	+	7.0
Falls			
Minor Corp	33.75	–	3.25
Thai Indl Gas	65.0	–	5.0
White Group	38.5	–	3.5

Hong Kong closed. New York and Toronto prices at 12.30pm.

Hanson executive joins RJR raiders

LeBow and Icahn raise break-up campaign by recruiting two corporate heavyweights

By Roderick Oram in London and Richard Tomkins in New York

Mr Bennett LeBow and Mr Carl Icahn, the corporate raiders trying to force an immediate break-up of RJR Nabisco, the US food and tobacco group, yesterday moved to raise the credibility of their campaign by recruiting two corporate heavyweights to their side.

One is Mr Ron Fulford, 61, a senior tobacco executive who yesterday resigned as executive chairman of Imperial Tobacco, one of the UK's largest cigarette makers and part of the Hanson industrial conglomerate. Mr LeBow's Brooke Group said Mr Fulford had "engineered a dramatic turnaround" at Imperial Tobacco since 1987.

The other recruit Mr LeBow announced was Mr Dale Hanson, 53, a US shareholder rights advocate who was chief executive of the California Public Employees' Retirement System, the biggest US public employee pension fund, from 1987 to 1994. Mr Hanson is currently chief executive of American Partners Capital Group, which provides financial services to institutional investors.

On Tuesday, Mr LeBow and Mr Icahn claimed victory in the first round of their battle to break up RJR Nabisco by announcing that shareholders speaking for 50.4 per cent of RJR Nabisco's shares had voted in favour of their spin-off proposal.

Mr LeBow said if RJR Nabisco's directors ignored the result of the poll, it would solicit proxies to oust the board at the company's annual meeting and replace it with one committed to an immediate spin-off.

Yesterday, Mr LeBow's Brooke Group gave more details of its plans, saying its replacement board would immediately spin off the Nabisco food business to shareholders and would move to "revitalise" the R. J. Reynolds Tobacco business by installing Mr Fulford as chief executive.

Mr Hanson would join the R. J. Reynolds board alongside the other nine directors already nominated, and the board would raise the annual dividend to about $2.00 a share, compared with the current $1.50, Brooke Group said.

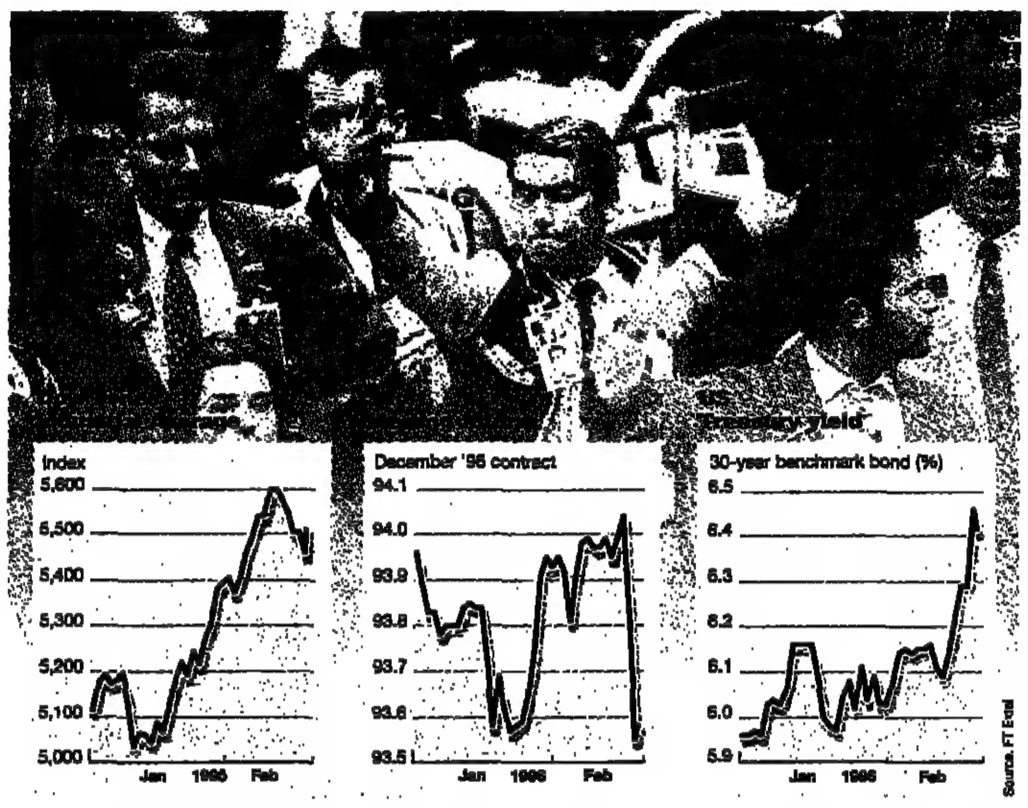
Hanson replaced Mr Fulford, one of its most experienced corporate turnround specialists, with Mr Gareth Davis, 45, a 23-year veteran of Imperial.

The change was unlikely to disrupt Imperial's business or the Hanson demerger into four groups, analyst said, because of the depth of management at the cigarette company. But the loss of such an experienced executive might raise City fears that a much smaller Hanson post-demerger would find it hard to retain its best managers.

Mr Fulford's departure comes amid signs that Hanson is finding the demerger even more complex for tax and other reasons than it had expected. The timetable could well slip from mid-year to year-end, close followers of the company believe.

Concern over inflation is rising but does not fully explain recent price declines

Bond markets suffer an attack of the jitters



Tuesday's two-point fall in the US 30-year Treasury bond, record volume in the interest rate futures contract in London and a second successive sharp decline in the Dow Jones Industrial Average: are all these developments evidence of a sea-change in global financial markets?

Despite yesterday's rebounds in Treasury bonds and the Dow, some markets seem overdue for a fall after their performance in 1995. In particular, the Dow, which left the 4,000 and 5,000 levels behind last year before heading to 5,600 this month, has appeared to defy gravity.

But circumstances point more to a replay of 1994, when an increase in US interest rates sent the Treasury bond market into sharp reverse, than to the stock market crash of 1987.

There seem to be two distinct factors in the recent reversal this time: an economic concern that caused some initial weakness in world bond prices, and which in turn prompted a problem for particular investors in the market.

The economic issue is the impact of the worldwide fall in interest rates that occurred in 1995 and has continued this year. An attempt by the Japanese government, in particular, to revive its economy via a policy of monetary and fiscal stimulation has sent cash sloshing round the world. This improved global liquidity has been a support behind the rise in shares and the bull market in bonds, which took the yield on the 30-year US Treasury issue from around 8 per cent to 6 per cent last year.

But investors may now be starting to become concerned that governments and monetary authorities, in trying to restart sluggish economies, have temporarily taken their eye off the inflationary ball.

"What we've enjoyed so far is the bright side of the liquidity expansion," says Mr George Magnus, senior international economist at UBS in London. "What we will come to regret is that liquidity will be absorbed by rising levels of economic activity and will lead to a turn in the interest rate cycle."

The sudden change in expectations about the direction of interest rates seems to be illustrated by events in the short sterling futures contract. Last week, the future indicated an expected rate of 6 per cent by December – a quarter of a percentage point decline from the current level; by Tuesday night, it pointed to a December rate level of nearly 6.5 per cent, a quarter-point increase from today.

In the US, Tuesday's Congressional testimony of Mr Alan Greenspan, the Federal Reserve chairman, which described the US economy as "fundamentally sound", raised doubts about the prospects for further rate cuts and contributed to that day's weakness of the bond market, although his second day of testimony was received more favourably yesterday. Fears that German money supply figures will be strong has also raised doubts about the Bundesbank's willingness to cut rates.

But while these economic worries may have contributed to the decline, they can hardly be the sole cause. "Inflation is not a problem and the world economy is growing more slowly than most would have expected a year ago," says Mr Keith Skeoch, chief economist at broker James Capel.

The additional factor, and one which evokes particular memories of 1994, is the role of speculative investors, such as hedge funds. This time, the speculative play seems to have been to borrow in Japanese yen, where interest rates are around 0.5 per cent, to buy US Treasury bonds and other higher yielding assets. With the dollar rising against the yen, this has been profitable.

But last week, the strategy began to unravel. The Japanese finance minister hinted that interest rates were too low. Furthermore, the US dollar seemed to have stalled in its rally against the yen, falling from around Y107 at the end of January to Y104 by February 19.

With the yield on the 30-year US Treasury bond moving from below to above 6 per cent, the speculators seem to have decided to unwind their positions to avoid getting caught as in 1994. The finger has pointed at hedge funds as the main culprits.

Analysts also say that the proprietary trading desks of banks now have stop-loss strategies, which require them to sell if prices fall below a set level; these seem to have been triggered by the initial fall in bonds. With too many participants trying to sell at once, the drop in bond prices was exacerbated, and in turn fed through to stock markets.

But without substantial evidence of runaway growth or inflation, strategists hope the losses will be contained. Most still believe that the world has moved into a low inflation, low growth phase, quite different from the excesses of the 1980s. "It's a bond market correction. I don't think it's the start of a sustained bear market," says Mr Ian Harwood, head of strategy and economics at Kleinwort Benson.

Philip Coggan

Gold price plunges below the $400 mark

By Kenneth Gooding, Mining Correspondent

Gold's new year rally came to an abrupt halt yesterday as the price plunged decisively through the psychologically important level of $400 a troy ounce to close in London at $397.55, down $4.45.

The price touched $394.40 an ounce at one stage as the speculative investment funds, whose interest helped to drive gold upwards since the beginning of this year, took some profit.

Only 20 days ago gold was at a six-year peak of $417.95. The price held above $400 for only 33 days.

"The market is now trying to find a new floor and a new trading range," said Mr Ted Arnold, analyst at Merrill Lynch, the investment bank. The floor might be at $380 or $385, he added.

He said gold was unlikely to trade much above $410 an ounce in the immediate future because this would encourage gold mining companies, particularly those in South Africa, to sell forward – which would cap any rise. It would also bring heavy selling of physical gold by holders in the Middle East.

Ms Rhona O'Connell, analyst at stockbroker T Hoare & Co, said that markets in Asia and the Middle East, accounting for 60 per cent of global demand for physical gold, were closed this week because of the Chinese New Year celebrations and a Moslem holiday. "This is the perfect week for short sellers to go for gold," she said. It was no coincidence that February 26 marked the lowest point for gold in the price rallies seen in 1985 and 1993.

Gold's price would stabilise between $395 and $402 an ounce, she predicted, because physical demand was great enough to hold it at that level.

Two surveys, from the Gold Fields Minerals Services consultancy group and the World Gold Council, a promotional organisation financed by gold producers, suggested that demand for physical gold reached record levels in 1995, when the dollar price of gold hardly moved from its average for the year of $384 an ounce.

Volatility returned to the market from the first trading day of 1996 when the US hedge funds switched some of their huge cash resources to gold for no obvious reason – they bought options to buy. Nearly all the funds use charts and technical analysis to give them "buy" and "sell" signals. Chartists said yesterday that the technical picture for gold was "grim."

Gehe lifts bid for UK chemist

By Patrick Harverson in London

The battle for UK pharmacy chain Lloyds Chemists remained finely balanced yesterday after Gehe of Germany increased its takeover bid from £584m, to £650m, but failed to land a knockout blow on its rival, UniChem, the UK pharmaceutical wholesaler and retailer.

With institutional shareholders divided over the attractiveness of Gehe's latest offer, UniChem's hopes of success received a lift when a rise in its share price pushed the value of its final cash and stock offer close to Gehe's new bid.

The German drugs wholesaler raised its all-cash bid from 450p a share to 500p a share, but UniChem's share price rose 7p to 249p, in the process lifting the value of its offer to a more competitive 491p a share.

Lloyds' shares closed up 2p at 491p. At one stage, UniChem's share price had risen so far that the value of its bid reached 497.4p a share.

Many dealers said UniChem's shares rose because investors believed the group could still win after a disappointingly low new offer from Gehe. But some were surprised by the increase and it is understood the Takeover Panel is looking closely at the share price movement.

In an attempt to further secure its bid, UniChem bought 10.7m of Lloyds' shares in the market at about 497p each, raising its stake from 1.3 per cent to 9.9 per cent. However, analysts said the stake was not large enough to determine the outcome, which would be decided by Lloyds' main shareholders.

Several shareholders yesterday were divided over the merits of the competing bids. One institution said it would probably take the cash offer from Gehe because the risks involved in merging UniChem and Lloyds were too great.

Another said it would wait and see what happened to UniChem's share price.

However, a third fund manager said unless the German group substantially raised its bid again he would accept UniChem's cash and shares offer because he wanted to keep an equity stake in a business that had good growth prospects. "We really like the UniChem paper and we think UniChem is going to win," he said.

Samuel Montagu, Lloyds' merchant bank, advised shareholders to sit tight. "We want to wait a few days and see where the market prices settle down," it said.

Lex, Page 18

Dutch state to sell 20% stake in DSM to institutions

By Ronald van de Krol in Amsterdam

The Dutch state plans to sell a 20 per cent stake in DSM, the chemicals group, to a small group of institutional investors. The 7.34m ordinary shares will be worth about Fl 1.12bn ($687m).

They will be converted into cumulative preference shares and then placed with four or five large Dutch banks and insurance companies. The sale will leave the government with a residual holding of 11 per cent.

"The Dutch state will sell the remainder of its holding in due course, thus completing the privatisation of DSM," the group said yesterday. The finance ministry refused to say whether the final sale would be this year.

In the late 1980s, the government sold 69 per cent of DSM in two big public offerings which marked the start of privatisation in the Netherlands. The company had made it clear that a third tranche would involve a placement and not a public sale.

DSM's shares rose sharply yesterday because the deal will remove most of the government shares hanging over the market. At the same time, the conversion of ordinary shares into cumulative preference shares will lift earnings per share available to ordinary shareholders.

According to DSM, the state's ordinary shares are worth Fl 152 each, based on recent share price movements and a premium of 5 per cent. The 7.34m shares will be sold to the institutional investors for Fl 70 each, with DSM paying the state Fl 82 per share in cash to "compensate" for their conversion into cumulative preference shares.

The cost to DSM will be about Fl 600m. Mr Loek Ligthart, of DSM's management board, said: "We can afford it, given our strong financial position."

The preference shares will pay a rate of interest similar to the yield on Dutch government bonds, plus a premium of 50 basis points. At current interest rates, the shares' yield will be 6.6-6.7 per cent.

The share placement is being managed by ABN Amro Hoare Govett. DSM was advised by London-based J. Henry Schroder and the Dutch state by CS First Boston, also based in London.

EUROPEAN NEWS DIGEST

Stöckl to quit as chairman of AEG

Mr Ernst Stöckl, chairman of AEG, the electronics group, is to step down from his post this summer, and will also resign his seat on the board of Daimler-Benz, AEG's parent company. The decision was announced yesterday by Daimler-Benz, whose supervisory board yesterday met for the first time after last week's resignation of Mr Edzard Reuter, the company's chairman. Mr Reuter resigned from the supervisory board following protests over his strategy, which resulted in huge financial losses.

Yesterday's announcement follows weeks of rumours about the future of Mr Stöckl, who was an ally of Mr Reuter. His departure is the latest in a series of changes at Daimler-Benz, intended to dissociate the company from its past troubles, which culminated in a 1995 loss of DM6bn ($4.1bn).

Mr Stöckl, 51, took over the chairmanship of AEG in 1991 promising to restore AEG to profitability. His failure to achieve the turnround at AEG led to Daimler's decision earlier this year to dismantle the unit, which is one of Germany's longest established industrial groups. Daimler-Benz also confirmed that Mr Johannes Semler, a 72-year old Frankfurt lawyer, would take over Mr Reuter's seat in the executive committee of the supervisory board.

Wolfgang Münchau, Frankfurt

Fokker expects news of bids

Fokker, the Dutch aircraft maker, expects to hear next week from two potential partners whether they would make a bid for the troubled company's operations. "Bombardier is expected to decide early next week whether it will make an official bid for Fokker," the Dutch company said. It added that Samsung was also expected to clarify its intentions with Fokker next week.

Fokker, majority owned by Daimler-Benz, has been urgently seeking a buyer after the German group cut off financial support, forcing it to seek protection from creditors. The company said it saw little chance of avoiding bankruptcy at its bourse-listed holding company and its Fokker Aircraft unit, whatever the outcome. Fokker added that it would seek an extension of its bridging credit facilities next week if there was a real prospect of selling its aircraft-making activities.

Reuter, Amsterdam

Fiat chief to resign next week

Mr Giovanni Agnelli is to step down as chairman of Fiat at a board meeting on February 28, the Turin-based automotive group has said. Mr Agnelli announced his decision to leave the helm at the end of last year and was expected to step down in the run-up to his 75th birthday on March 12. The meeting will mark a changing of the guard at the group, of which Mr Agnelli will be honorary chairman. Mr Cesare Romiti, chief executive, will become chairman, to be succeeded by Mr Paolo Cantarella, who has headed Fiat Auto, the core cars division. Mr Roberto Testore moves from the Comau automation subsidiary to become head of Fiat Auto. *John Simkins, Milan*

RWE in Finnish telecoms link

RWE, the leading German industrial conglomerate, yesterday said it had created a joint venture with Telekom Finland, the Finnish telecoms operator, to bid for a GSM mobile phone licence in the Czech Republic. Telekom Finland will hold a 51 per cent stake in the new company, to be called LevTel. RWE Telliance, the group's telecoms subsidiary, said LevTel would build a nationwide GSM infrastructure within two years if it won a licence. The group declined to say how much would be invested. *Michael Lindemann, Bonn*

Borealis advances despite loss in final term

By Jenny Luesby

Borealis, one of Europe's largest plastics producers, lifted pre-tax profits to DKr2.63bn ($468m) last year, from DKr625m in 1994. The group enjoyed a strong first half but was suffering losses at the end of the year.

An exceptional surge in plastics prices and demand in the first half had fallen off "with accelerating rapidity" from May, it said, leading to a pre-tax loss of DKr367m in the fourth quarter.

Sales rose 12.8 per cent to DKr17.63bn last year. But this was caused by price movements, with the volume of plastics sold falling 7 per cent. In Europe, the market had contracted by 3 per cent as manufacturers ran down their raw material stocks.

This had accounted for around 5 percentage points of the volume decline, the company estimated. The other 2 percentage points were the result of "a deliberate decision to hold back sales", said Mr Juha Rantanen, chief executive.

"When we saw the softening of the market, we were very concerned not to oversupply it in a way that would increase the price pressure," he said. An explosion at one of the company's plants also curbed production, and contributed to extraordinary costs in the final quarter.

Overall, the year had been a "tough one", said Mr Rantanen, with the about-turn in the market underlining the need for further cost-cutting. This was already under way, he said, with gains of DKr1.5bn a year expected by 1998.

However, the surge in the first half of last year had led to a "significant improvement" in the company's financial position. Net debt stood at DKr2.45bn at year-end, down from DKr5.63bn in 1994, reducing gearing to 35 per cent from 93 per cent.

Borealis was created in 1993, through the merger of the petrochemical businesses of Statoil, the Norwegian oil company, and Nesté, the Finnish oil and chemicals group.

Proventus stake in Puma to be placed

By Andrew Fisher in Frankfurt

Puma, the German sports shoe and clothing company, is looking to attract a wider spread of domestic and foreign shareholders through a placement of a large slice of the majority stake held by Proventus, the Swedish investment group. At yesterday's share price, up DM12 to DM436, the placement could raise up to DM200m ($137.6m) for Proventus.

Proventus will reduce its stake to below 50 per cent from 82.4 per cent, while remaining the largest shareholder. "Puma will thus become a real public company," Mr Jochen Zeitz, chief executive, said.

The shares will be placed in the first half of this year. Co-managers for the placement will be Deutsche Morgan Grenfell (the investment banking operation of Deutsche Bank) and Goldman Sachs, the US investment bank.

Since shares of Puma – based, like its rival Adidas, in the small north Bavarian town of Herzogenaurach – were first sold to the public in 1986, the company has been in and out of shareholders' favour. Last year, net profits rose 94 per cent to DM49.4m from DM25.5m, with Mr Zeitz forecasting a further rise in 1996. In 1993, the company incurred a net loss of DM69m.

Turnover was 5 per cent higher at DM469.4m, with worldwide licence business raising this to DM1.18bn (a 4 per cent increase).

Following the DM1.9bn share issue by Adidas last year, the Puma placement will act as a further stimulus for the German stock market ahead of Deutsche Telekom's planned DM15bn offering.

Mr Zeitz, who has made far-reaching changes within the company to save costs and improve profitability, said Puma would increase its capital by 10 per cent when the Proventus stock was placed.

Its present equity capital comprises 1.4m shares, with a market capitalisation of around DM610m. Puma will also lighten its shares by reducing their nominal value to DM5 each from DM50.

Miss Kathryn Brown, German equities analyst at NatWest Securities in London, welcomed Puma's profits rise and equity moves. "It's excellent news because people are positive on the stock but reluctant to move into it as it's illiquid," she said.

Puma will also convert its preference shares into voting stock – the 720,000 voting shares are held by Proventus, with the 680,000 preference units also partly owned by other investors – and pay a dividend of at least 4 per cent for 1996.

Buoyant KNP BT lifts payout 75%

By Ronald van de Krol in Amsterdam

KNP BT, the Dutch paper, packaging and distribution group, is to raise its dividend by 75 per cent, after higher earnings from its paper manufacturing operations buoyed 1995 results.

Net profits before extraordinary items rose 68 per cent from Fl 325m ($199.6m) in 1994 to Fl 545m last year. The improvement prompted the company to lift its dividend from Fl 1.00 to Fl 1.75, although the payout ratio of 35 per cent remains in the middle of the group's target band of 25 to 45 per cent. Turnover in 1995 was up 14 per cent at Fl 15bn, while operating profits increased 45 per cent to Fl 917m.

Total net profit included an extraordinary charge of Fl 75m, consisting mainly of adjustments in the book values of operations which have been divested or slated for sale. There were no extraordinary items in 1994. If the extraordinary item is included, total net profits showed a rise of 45 per cent.

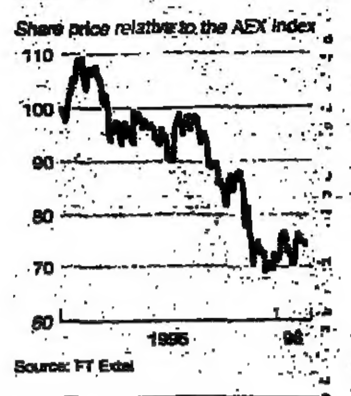
The divestments, including the planned sale of the flexible packaging business, are part of a strategic reorientation announced in 1995.

The strongest sector in 1995 was KNP Leykam, the group's producer of graphic paper. Operating profit soared 122 per cent from Fl 177m to Fl 393m, attributed to cost controls and higher margins rather than increased volumes.

The rise in paper earnings also came in spite of a slowing in profit growth in the third and fourth quarters, compared with the sharply higher second quarter. This, in turn, was caused by "destocking" among KNP BT's customers.

KNP BT

Share price relative to the AEX index



Source: FT Extel

Skandia agrees to sell US reinsurance offshoot

By Christopher Brown-Humes in Stockholm

Skandia, the leading Swedish insurer, yesterday ended a century-long involvement in the US reinsurance market when it agreed to sell Skandia America Reinsurance Corp for SKr2bn ($292m). But provisions for the move had a negative impact on 1995 profits and its shares fell by SKr4 to SKr160.

The buyer is Fairfax Financial Holdings of Canada, one of the 10 largest US reinsurers. Skandia has wanted to limit its exposure to US reinsurance since it tried to launch an initial public offering for SARC in 1992. That plan was cancelled after a poor investor response.

Mr Björn Wolrath, Skandia's chief executive, said the choice was between investing more in SARC or pulling out. He said uncertainties in the US market were one reason for the sale.

The group believed it could make better use of the funds freed by the sale by ploughing them into its core Nordic businesses and its fast-growing international life operations.

Mr Harry Vos, head of group accounting, said the sale was in line with the group's strategy to withdraw from the US direct non-life insurance and reinsurance markets. The group's remaining reinsurance operations, both in life insurance and non-life outside the US, will be handled by Stockholm-based Skandia International.

Provisions for the sale dragged down Skandia's 1995 figures, but it managed to swing to an operating profit of SKr500m from losses of SKr187m in 1994. The group said it had strengthened its reserves for SARC by SKr1.2bn and provided for a guarantee for a further SKr400m. Overall the group's operating profit would have been SKr1.35bn higher in 1995, if SARC was excluded.

Skandia said its main non-life and reinsurance operations, excluding SARC, had made a SKr1.05bn profit, virtually unchanged from 1994. But while Nordic activities had improved their performance, direct non-life insurance businesses outside the region had faltered, mainly because of soft UK market conditions.

Swedbank joins rivals in property assets disposal

By Hugh Carnegy in Stockholm

Swedbank yesterday joined the queue of Swedish banks moving to offload the big property portfolios they were forced to acquire during the loan-loss crisis of the early 1990s. The bank said it would spin off its real estate holdings to its shareholders in May.

The savings bank foundations which are the main shareholders of Swedbank simultaneously announced they intended to sell off to Swedish and international institutions a 7.1 per cent stake in the bank – worth about SKr1.4bn ($204.3m).

The sale will allow the foundations, which will continue to hold a 13.7 per cent share in Swedbank, to pay off SKr2.6bn in loans guaranteed by the state as part of its rescue of the banking system during the loan-loss crisis.

Swedbank's plan to hand over its property company, called Tornet, to its shareholders follows similar moves by Skandinaviska Enskilda Banken and Svenska Handelsbanken.

Tornet, into which Swedbank will inject SKr2.5bn of it own capital, holds properties in Sweden and elsewhere in Europe worth SKr9.3bn, bigger than the Handelsbanken holdings but much smaller than the SKr23bn held by SE-Banken.

Tornet will be listed on the Stockholm bourse in early May – before the other two bank companies.

Swedbank, meanwhile, reported operating profits in 1995 up to SKr4.3bn from SKr4bn in 1996. It said the figures did not fully reflect the extent of the improvement, as the 1994 profit was inflated by one-off capital gains of SKr1.9bn.

The main feature in 1995 was a fall in loan losses from SKr3.8bn to SKr2.2bn. But the underlying performance slipped, as operating profits before loan losses fell from SKr7.8bn to SKr6.5bn, reflecting the tough conditions in the Swedish market.

The dividend was set at SKr3.50 per share, 40 per cent higher than last year.

Profits at Elf Aquitaine recover to FFr5bn in year

By David Buchan in Paris

Elf Aquitaine, the French oil, chemicals and drugs group, yesterday announced a turnround to net profit of FFr5bn ($994m) for last year. Heavy provisions led to a FFr5.4bn loss for 1994.

Elf made FFr8.7bn worth of provisions in 1994 to cover asset write-downs, restructuring costs and accounting changes.

The turnround, which Mr Philippe Jaffré, president, claimed put the group "back on the right trajectory", was also partly attributed to an *improved performance by the* the oil exploration and production, chemicals and health divisions. Group operating profit rose from FFr11.1bn in 1994 to FFr15.5bn last year, while turnover edged ahead from FFr207.7bn to FFr208.3bn.

Philippe Jaffré: group 'back on the right trajectory'

Mr Jaffré, who took over the helm at Elf in 1993, noted that over the past two years the group had sold off FFr15bn of non-strategic industrial assets and FFr9bn of non-strategic financial assets. It was also one of the first French groups to write down the value of core assets, to the value of FFr10bn.

He added that Elf intended to invest more than FFr130bn over the next few years, of which FFr100bn would be in industrial activities and exploration, FFr25bn in research, and FFr10bn in personnel training.

Elf's oil exploration and production activities, chiefly in the North Sea and Africa's Gulf of Guinea, produced a 16 per cent rise in operating income to FFr8bn last year. Oil output rose 8 per cent to 997,000 barrels a day, while reserves stayed unchanged. But Elf executives said they now had hopes for new deepwater fields off the coasts of Nigeria, Congo and Angola.

However, Mr Jaffré was downbeat on refining operations, on which Elf merely broke even last year. Arguing that margins would stay low for the foreseeable future, he pointed to the fact that Elf had scaled down its stake in the eastern German plant at Leuna and declined to enter refining in Shanghai and Malaysia. It now only had 15 per cent of its assets in refining and distribution.

Elf chemicals, chiefly through Elf-Atochem, had a boom year, increasing operating income from FFr1.8bn in 1994 to FFr5bn last year.

Elf-Sanofi, the group's pharmaceutical and beauty products subsidiary, yesterday reported an 18.6 per cent rise in net profits to FFr1.57bn last year, with the first full-year consolidation of results from Winthrop-Sterling of the US.

Matif celebrates 10 speculative years

The Paris exchange has seen rapid growth since its inception, writes **Andrew Jack**

In February 1986, a handful of traders tucked away in a corner of the Palais Brongniart, the old stock market building in central Paris, began buying and selling a new financial contract.

The traders, dubbed "Group Four", were the original participants in what was in those days known as the CCFIP, the Paris clearing house for financial instruments. It has since developed rapidly, changing its name to Matif, the French financial futures exchange. This week it celebrated its 10th anniversary.

From humble beginnings, offering the "notionnel" or French government futures contract, it has grown into the fourth largest derivatives market in the world, offering 16 separate products and witnessing the total volumes of contracts traded rise from 1.7m in 1986 to 71.1m last year.

"When we started out, we decided it needed to break even with 1,000 contracts a day," says Mr Gérard Pfauwadel, *then deputy secretary of the* French treasury in charge of regulating the new market. He is now Matif's chief executive. "We were generating 3,000 a day almost immediately, and now we operate 300,000 a day."

The creation of the new exchange was part of the efforts of the French government – at that time spearheaded by Mr Pierre Bérégevoy, the socialist finance minister – during the mid-1980s to integrate into global financial markets and help develop new ways of funding public debt.

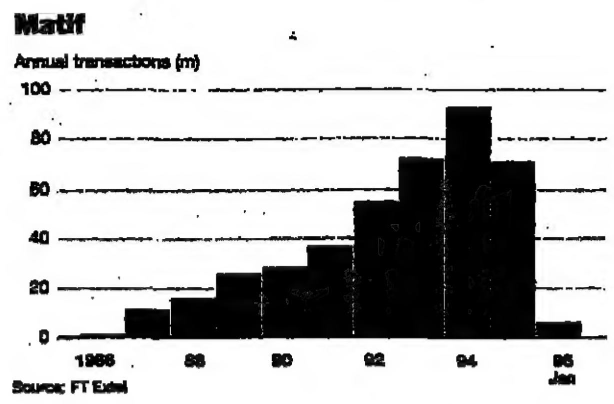
The Matif was an essential part of the strategy, since derivatives provided an important way to make the country's cash market more liquid and boost its attractiveness to investors.

For Mr Pfauwadel, it was also a pioneer ahead of radical changes that would transform the French markets during the second half of the 1980s.

Matif was equally controlled by banks, stockbrokers and insurance companies, and represented the first institution in which the traditional rivalry between the first two groups was broken down – ahead of legal changes which allowed banks to buy brokerage houses.

Mr Pfauwadel also points to the international development *of the market. Starting with a* purely domestic product and French members, it now counts 43 per cent of members from other countries, and is increasingly developing links with foreign exchanges.

"Ten years is a short period, – but in our business it is a very long time ago," he says.



"No-one in France guessed that we would become so large and well-established so quickly."

But not everything has been positive. Early in its history, Matif had to cope with a number of important setbacks, including the 1987 crash, and two substantial losses incurred by French groups on the derivatives markets, which tarnished its reputation.

Several contracts it attempted to introduce over the years also failed, and have since been shut down. "We have had difficulties with our international line of products," says Mr Pfauwadel. "We are a derivatives business, and you have to have a *cash market not far from you* if you want to be successful."

The result is that while Matif boasts a range of products, it still remains highly dependent on the notional contract, the original product with which it was launched in 1986 and which now accounts for a little under half of all trades.

More recently, the French derivatives market has seen business *slowing down. After* almost uninterrupted growth in the previous decade, the volume of contracts traded *fell* by nearly a quarter from 93.4m in 1994 to 71.1m last year.

Mr Pfauwadel says the drop reflects a cyclical change, and was a trend echoed in futures and options exchanges around the world last year. He adds that the trend at the start of 1996 has looked far more positive. "We are more bullish than ever before," he says.

In the last year, Matif has also faced internal tensions among its members. Last Easter "locals", who trade on their own behalf in the market and make an important contribution to liquidity, went on strike for several days over concerns about increases in the commissions to be levied on them.

They are also concerned that the market would be threatened if the "open outcry" system of trading were *jeopardised*. This concern largely centres on whether a decision is taken in a few weeks to go ahead with electronic trading links connecting Matif and the French stock exchange with their two German counterparts, run by the Deutsche Terminsbörse in Frankfurt.

Mr Pfauwadel dismisses these concerns as those of a "minority".

Looking towards the next decade, he predicts that there will be "fewer, bigger markets", and hopes simply that Matif will be among them. He says his priority for the future is "to ensure the market is efficient, cost-effective and liquid".

Success of Losec behind 25% rise in Astra earnings

By Christopher Brown-Humes in Stockholm

Shares in Astra rose almost 5 per cent yesterday after the fast-growing Swedish drugs group showed a strong increase in 1995 profits and unveiled plans to list its shares on the New York Stock Exchange.

The group increased profits by 25 per cent from SKr9.6bn to SKr12.06bn ($1.8bn), maintaining the momentum that has taken its market value above $25bn to become the Nordic region's biggest company.

Its profits are nearly as big as Volvo's, which yesterday reported a pre-tax figure of SKr13bn, even though its sales at SKr35.8bn are only a fifth as large as the vehicle maker's.

The group's performance continues to be driven by Losec, its blockbuster anti-ulcer treatment that may become the world's top-selling drug this year. Losec sales climbed 53 per cent to SKr15.8bn, while total sales of the drug (including those through the company's Astra-Merck joint venture in the US and licensees) rose 22 per cent to SKr21.0bn.

Losec gained share in most of its main markets, giving it 40 per cent of the European market, 27 per cent in the US, and 5 per cent in Japan.

But Mr Hakan Mogren, Astra chief executive, believes the drug can achieve even greater success, although analysts were sceptical of his claim that they might be able to double its US sales.

Pulmicort, the group's anti-asthma treatment, saw sales rise 17 per cent to SKr4.34bn. Astra hopes to get approval to launch this drug, delivered through a special inhaler, in the US later this year.

Total group sales advanced 19 per cent in constant currencies, against market growth of 8 per cent. In Europe, Astra's sales grew 14 per cent, twice the market rate.

Mr Mogren said the group had only been modestly hit by pricing pressures caused by the cost-containment efforts of the world's health authorities. The main pressure last year was felt in Germany.

The company hopes to gain a listing on the New Stock Exchange after mid-May.

Analysts expect a slower rate *of profits growth in 1996* because of the impact of the stronger krona. Mr Franc Gregori, pharmaceuticals analyst with Paribas in London, said: "Astra remains the superb story that it has been for the past seven years. But the more successful Losec is, the more difficult it will be for Astra to replace when it begins to come off-patent in the year 2001."

European group in Hungarian TV bid

By Virginia Marsh in Budapest

CLT Multi Media, the Luxembourg-based European media group, intends to bid for the concession for Hungary's second television station, the first terrestrial station the country is offering to private investors.

The Hungarian authorities are expected to call a tender for a 10-year concession for the frequencies used by MTV2 in the first half of this year. The aim is to start the new channel *in January 1997*.

CLT, whose largest shareholders are Groupe Bruxelles Lambert, the Belgian holding company, and Havas, the French media group, said it was in talks with local and international media companies and intended to take a stake of up to 49 per cent in a bid consortium.

CLT, Europe's oldest commercial broadcaster, holds stakes in 25 television and radio stations in Europe, including RTL channels in Germany, France and the Benelux countries, and is part of the winning consortium for Channel 5 in the UK. However, until now, it has not managed to break into terrestrial television in the former eastern bloc after bidding *unsuccessfully for* licences or channels in Poland and the Czech Republic.

Hungary is one of the last former eastern bloc countries to liberalise its broadcast media – a sector which has attracted strong interest from international media companies. It took the country's political parties more than five years to agree on a post-communist media law ending the state's near monopoly in broadcast media and establishing a new regulatory framework for the sector.

Under a law passed last December, the state intends to *sell off concessions for frequen*cies for two television stations, one of which is unused, and for several radio stations.

MTV1, the main national channel, which last year attracted 50.3 per cent of television viewing and 72.1 per cent of television advertising spending, is due to stay in state hands.

Several other international media companies are also expected to bid for the MTV2 concession. These include Central European Media Enterprises, part-owned by Mr Ronald Lauder, one of the heirs to the Estée Lauder cosmetics group. CME launched Nova-TV, the region's first private nationwide commercial channel in the Czech Republic *in 1994 and* recently added commercial channels in Romania and Slovenia.

AMERICAS NEWS DIGEST

Sears, Roebuck to pull out of Prodigy

Sears, Roebuck, the US retailer, said it was planning to sell its 50 per cent stake in Prodigy, the third largest computer online information service, confirming widespread speculation. IBM, which also holds a 50 per cent stake, is believed to have been seeking control of the Prodigy joint venture for some time. It was not clear yesterday whether IBM would now make an offer for Sears' stake.

Formed in 1984 – and formally launched as a US nationwide online information service in 1990 – Prodigy has been a difficult partnership, industry analysts said, because of the differing goals of IBM and Sears. Whereas IBM views Prodigy as part of its broad Internet strategy, Sears' interests had been focused on electronic shopping.

Mr Arthur Martinez, Sears chief executive, told financial analysts yesterday that Prodigy did not fit into Sear's long-term plans. Prodigy is the third largest consumer-oriented online service, after CompuServe and America Online, and had about 1.3m subscribers at the end of June, an increase of 11 per cent over the previous six months, according to Simba Information, a US market research group.

Louise Kehoe, San Francisco

Sprint quits Polish project

Sprint International, the US telecommunications operator has decided to withdraw from a $165m private fixed telephone line project with RP Telekom in Poland after a two-year involvement. Telia, the Swedish national operator, will take Sprint's place in the project which is backed by the International Finance Corporation (IFC) and a consortium of western banks, including ING of the Netherlands, Dresdner Bank of Germany and Société Générale of France.

Sprint's decision was prompted by RP Telekom, Poland's largest privately-owned fixed-line operator, which is the US company's partner in SRPT, the joint venture set up to build and operate the local networks. Sprint's severance agreement with RP Telekom is described by analysts as "mutually beneficial" and follows "a divergence of the strategic interests".

Sprint recently set up Global 1, an international alliance with France Télécom and Deutsche Telekom, while Telia and RP Telekom last year set up Netia, a $383m joint project to construct and operate 350,000 fixed lines in 10 regions. The IFC, which committed $7m as equity investment in SRPT as well as $25m worth of loan financing, has said it would continue with the project.

Christopher Bobinski, Warsaw

Delta in deal with unions

Shares in Delta Air Lines, the third biggest US carrier, rose $1¾ to $75¾ in early trading yesterday after the company announced that it had reached what could turn out to be a landmark cost-cutting deal with representatives of its pilots' union. However, the deal still has to be ratified by the union leadership and submitted to the membership for a vote.

The agreement – reached after a year of collective bargaining that included eight months of federal mediation – will cut the pay of Delta's pilots by 2 per cent for two years and provide for the early retirement of at least 500 pilots who are 50 years old or more, so enabling the airline to make further progress towards its goal of reducing operating costs by $2bn a year by June 1997. In return, the pilots will get options to acquire 10m Delta shares and a non-voting seat on the board.

The deal also clears the way for Delta to launch low-cost, no frills services on routes where the competition is fiercest by paying pilots lower wages and requiring them to work longer hours on these routes.

Richard Tomkins, New York

Paramount puts Viacom under pressure

By Tony Jackson in New York

Viacom, the US media group, saw continued pressure on its Paramount film studio in the fourth quarter, with earnings from the entertainment division down from $22m to $1m. There was also a 33 per cent drop in earnings from the Blockbuster video chain, to $107m. Group earnings were down 8 per cent at $280m.

Last month Mr Sumner Redstone, Viacom chairman and controlling shareholder, dismissed Mr Frank Biondi, chief executive, citing as one reason Mr Biondi's alleged slowness in tackling Paramount's problems. Viacom acquired Paramount for $10bn in March 1994.

The company said yesterday that feature film revenues were up 6 per cent in the quarter, although this was more than offset by weakness in video games. Entertainment revenues were down 1 per cent at $907m, while cash flow fell 44 per cent to $37m. Mr Redstone said Paramount had "regained momentum" and had started 1996 strongly, with scheduled film releases including *Mission Impossible* with Tom Cruise and *Star Trek Generations II.*

The broadcasting division, which includes the MTV and Nickelodeon cable channels, raised its revenue by 11 per cent in the quarter to $601m, while cash flow rose 22 per cent to $194m. This was due mainly to higher advertising revenue and affiliate fees at the cable networks.

The video, music and theme parks division, consisting chiefly of Blockbuster, increased its revenues by 19 per cent to $886m in the quarter, but cash flow fell 15 per cent to $184m. Viacom said this was mainly due to increased amortisation on rental tapes, which it treats as an operating cost. Blockbuster added a net 214 new stores in the quarter, and same-store sales rose 8 per cent.

The publishing division, which includes Simon & Schuster, raised revenues 17 per cent in the quarter to $570m, while cash flow rose 92 per cent to $82m. Sales were helped by strong sales of higher education texts and consumer books. Last year's acquisition of the Educational Management Group accounted for 15 per cent of the rise in cash flow.

For the full year, Viacom made a net loss of $49m on its 49.9 per cent stake in Discovery Zone, which runs a chain of children's play centres. This compares with a $30m loss at the nine-month stage. Discovery Zone warned earlier this month that it might be forced into Chapter 11 bankruptcy.

Competition may shatter Vitro's pride

Operations abroad are a headache for Mexico's glassmaker

Vitro, the Mexican glass manufacturer, is steeling itself to fight not only competitors but internal problems.

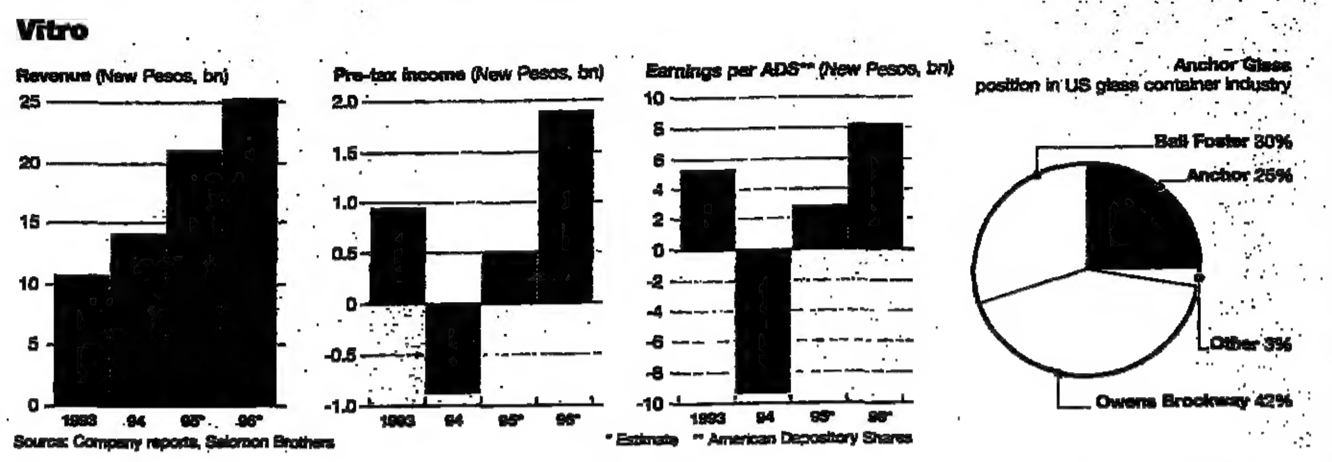
The company's current problems stem from foreign operations – which had been thought to signify the company's arrival as an international player – and from peso-based financing that has failed to keep in step with dollar-based income.

As one of Mexico's most traditional corporations, predominant in several sectors, it has also been slow to respond to the opening of Mexico's economy.

Its core operations remain reasonably strong, despite the crumbling of the Mexican domestic economy following the 1994 peso devaluation. Exports, which are mostly flat glass sales to US car manufacturers, rose 18.5 per cent to $520m in 1995, according to the company.

Executives argue that if the currency had not tumbled once more at the end of the year, operating cash flow for 1995 would stand close to the $600m generated the previous two years.

However, the weakness of the peso and a jump in interest rates are expected to bite into fourth-quarter profits, due in the next few weeks.



Source: Company reports, Salomon Brothers

* Estimate ** American Depository Shares

Vitro will soon face its first significant competition at home – most notably from the French manufacturer Saint-Gobain, which will be starting up a car-glass factory this year with a capacity of 500,000 car sets a year, and a second, flat glass factory in May 1997. "There's certainly room for a competitor," says Mr Alain De Metz, Saint-Gobain director-general in Mexico City.

Manufacturers such as Celanese, Shell and Eastman are also planning to increase their production of PET, a plastic substitute for the glass bottles Vitro sells to soft drink companies.

However, Vitro's market share in flat glass and glass containers in Mexico is so large – a near monopoly – that such developments are unlikely to make much of a dent on profitability in the short term.

Foreign subsidiaries pose more of a problem. Last month, Vitro announced a restructuring of its troubled US glass containers subsidiary, Anchor Glass, merging it with the Mexican operations in the same market.

Vitro's 1989 hostile takeover of the company, now the US's third-largest glass container manufacturer, for $900m, had been a source of pride – one of the first Mexican purchases of a US producer in preparation of free trade between the two countries. But demand has contracted unexpectedly, and Anchor Glass's present operating margin of about 2 per cent is much lower than its rivals.

A more serious constraint is Vitro's financing. Total liabilities stood at 18.2bn pesos (then $2.8bn) at the end of September, and are overwhelmingly in pesos. Sales for the first nine months of 1995 were 14.4bn pesos ($1.9bn at current rates).

"It is too tight. It lacks flexibility," says Mr José Antonio López, head of financing and development, who says that levels of about $600m in operating cash flow allow the company to meet its obligations and maintain capital expenditure of about $200m a year, but little else beside, certainly not enough to support associated companies such as Cydsa, a textile company, and Grupo Financiero Serfin, which owns the country's third-largest bank.

"We either increase our cash flow by about $75m in the short term, or we decrease our debt by about $500m over the next two years. There might well be a combination of the two," says Mr López. But with only sluggish Mexican growth expected for 1995, increasing cash flow may be difficult.

As for decreasing debt, Mr López would like to make an international public offering for about 10 per cent of the company, but the current low levels of the stock preclude that option. "If we can't show the market that we can steadily get debt down then we'll definitely be open to some kind of sell-offs," he says, although he is unwilling to provide specifics.

"One of the problems with Vitro is that its peso debt is not linked to its dollar income," said Mr Luis Villalobos, head of research at Citibank in Mexico City. At present, the company is extremely vulnerable to Mexican interest rates, which in real terms are twice the level of their US counterparts and represent a constant drain on revenues, which may come from exports, Anchor Glass, or Vitro's other US operations.

More details on financing plans may emerge soon, in the wake of the positive, if muted, reaction to Anchor Glass's restructuring. But many battles lie ahead if the company is to break out of its legacy of the past few years.

Daniel Dombey

Oracle and Verifone in Internet commerce venture

By Louise Kehoe in San Francisco

Oracle, the leading database software company, and Verifone, the largest supplier of credit card verification systems, have formed an alliance to develop an "end-to-end" system for secure electronic commerce on the Internet.

The system will incorporate software for use by consumers, merchants and banks to complete transactions using a range of payment methods including credit and debit cards, smart cards and electronic cash.

Other software companies have also announced technology to enable secure electronic commerce. Oracle claims, however, that it will be first to provide all of the systems needed to complete transactions as they occur.

The Oracle-Verifone system will incorporate an "electronic wallet" built into an Internet browser, software for use by electronic merchants to handle payments and a "gateway" to link Internet transactions to bank's existing computer systems.

Wells Fargo Bank said it planned to use the system, which is expected to be complete by the third quarter of this year, to enable its merchant customers to process Internet payments.

"Internet commerce is a trickle today but will rapidly become a torrent once the issue of handling large volumes of transactions is solved," said Mr Dudley Nigg, executive vice-president of Wells Fargo.

Concerns about the security and privacy of Internet transactions have been a barrier to electronic commerce. However, with the recent announcement by Visa International and MasterCard, the two leading credit card companies, of a standard security system for Internet payments, "the payment security issue is now largely behind us," said Mr Roger Bertman, vice-president of Verifone.

NEWS DIGEST

Pasminco registers sharp improvement

Pasminco, the world's large zinc metal producer, yesterday posted a sharply improved first-half result, despite slightly lower prices. It made an after-tax profit of A$20.2m (US$15.3m) in the six months to end-December, compared with A$6.5m a year earlier. Gross revenues rose from A$543.1m to A$645.9m, while earnings per share stood at 2.5 cents, against 0.8 cents.

Although the 1994-95 profit appeared slender, it helped the company to a net A$12.2m surplus for the full year – the first time Pasminco has been in the black since 1990. The company welcomed the latest figure as "a further step in the steady profit improvement", and its shares gained 3 cents to close at A$1.54.

During the most recent half-year, Pasminco said the zinc price, in US dollar terms, had been "marginally lower" by some US$26 a tonne, with the slightly stronger exchange rate against the US dollar also impacting unfavourably on earnings. Zinc and lead metal production from its Australian smelters increased in the six months, but the rate of production from Budel Zink in the Netherlands was marginally lower. There was also lower mine production of zinc and lead in concentrates.

The group said it was cautious about the outlook: "While global demand for zinc remained firm during the second half of 1995, stock levels of the London Metal Exchange declined at a steady rate. Demand conditions have, since year-end, shown signs of weakening, and the pace of stock declines on the LME has slowed."

The company sounded a brighter note on the lead front, where demand remained firm. *Nikki Tait, Sydney*

Kersaf Investments climbs 34%

Kersaf Investments, the South African leisure and casino group, reported a 34 per cent rise in attributable income to R138.6m ($35.8m) for the six months to December 31. Earnings per share before an exceptional item rose 16 per cent to 147 cents, compared with 126 cents last year. However, this increased to 167 cents with the inclusion of an exceptional R16.7m net profit from the sale of half the group's convertible debentures in the City Lodge hotel chain. The interim dividend was 80 cents a share, compared with 72 cents.

A surge in overseas visitors at South African Sun International and City Lodge hotels, and strong trading at the Paradise Island resort in the Bahamas lifted turnover 10 per cent to R1.4bn. These gains offset a R6.5m increase in interest payments and a R75.4m tax charge payable for the first time as Sun International resorts in former self-governing homelands fell within the national tax net. *Mark Ashurst, Johannesburg*

Setback for Thai broker

Securities One, a large Thai brokerage company and part of the One Holding group of companies led by Mr Pin Chakkaphak, reported a 17 per cent fall in net profit to Bt843.2m ($33.4m) in 1995 from a year earlier. A full balance sheet was not released, but the sharp fall, which analysts had predicted, reflected the same problems all Thai finance and securities companies faced in 1995: low market turnover, which hurt commissions, and a bearish stock market, which made their mark on companies' own trading accounts.

The profit decline at Securities One was smaller than those suffered by other finance and securities companies. Broker H. G. Asia predicts that earnings in the sector as a whole were likely to decline an average of 25 per cent year-on-year. For example, profits at Dhana Siam, the country's second largest finance and securities company, fell 26 per cent to Bt1.42bn in 1995. Third largest Phatra Thanakit saw its profits fall 20 per cent to Bt1.91bn, while fourth largest Asia Credit posted a 28 per cent profit decline to Bt824bn.

Analysts said those companies in the sector with a higher exposure to the securities side of the business were in general hit harder than those with balance sheets dominated by the more stable but less lucrative finance side.

An exception was those companies which had a large amount of hire purchase loans and credit extended to the property sector, such as CMIC and Union Asia respectively. Both sectors are extremely sensitive to rises in domestic interest rates, a recurring phenomenon in 1995, because hire purchase loans are granted at a fixed rate while the property sector is highly geared. *Ted Bardacke, Bangkok*

Egco sales steady in fourth term

Results from the first full year of operations at Electricity Generation Co (Egco), Thailand's largest privately-owned power producer, have provided a boost to the company ahead of its road show for a public offering, scheduled to begin later this week. Fourth-quarter revenue held steady at Bt965m ($38.3m), indicating that the company's 1,200 megawatt power plant in Rayong has been running smoothly at about 84 per cent of capacity, according to brokers Merrill Lynch.

Gross margins dropped to 55 per cent in the fourth quarter from more than 60 per cent earlier this year. Analysts said the decline was healthy as it reflected almost Bt300m in ongoing maintenance costs at the plant, necessary if it is to have an uninterrupted stream of revenue. The bulk of the funds expected to be raised during the company's share placement will be used to buy a Bt20bn, 824 megawatt power plant in southern Thailand. Other funds will be used to repay loans, which is likely to reduce interest costs to the company this year. *Ted Bardacke*

Coles to integrate two units

Coles Myer, Australia's biggest retailer which has been beset by executive departures and corporate governance issues recently, is to "integrate" the management of its Fosseys and Target chains. Both are discount store businesses, with Fosseys' 152 outlets mainly focused on rural locations, and Target's 104 tending to be in metropolitan areas. Both retail brands will be retained. *Nikki Tait*

Japanese brewers hurt by drop in consumption

By William Dawkins in Tokyo

Japan's three listed brewers, Kirin, Asahi and Sapporo, finished 1995 with a hangover, caused by declining beer consumption and a price war.

Kirin, the market leader with just under half of domestic consumption, yesterday reported a lacklustre year in which it said overall Japanese domestic spending on beer fell 6 per cent.

Consumption slipped in an unusually cool summer. A sharp rise in imports, by almost 1½ percentage points to an estimated 6 per cent of the market, according to industry figures, intensified an already fierce battle for share of a mature beer market.

Kirin's unconsolidated sales for the year to December fell slightly less than the domestic market, by 4.5 per cent to Y1,379bn ($13bn), on a 21.2 per cent fall in recurring profits – before tax and extraordinary items – to Y75.27bn.

Kirin's beer sales fell 5 per cent to Y1,340bn, while pharmaceutical sales, a diversification which accounts for just 2 per cent of turnover, rose 12.8 per cent to Y30.1bn.

Kirin expects a modest overall recovery in the current year to next December, to recurring profits of Y78bn, on sales of Y,1460bn.

Sales and profits at Asahi, Japan's second largest brewer with about 30 per cent of the domestic market, outperformed Kirin, partly helped by the resilience of demand for its dry beer brand.

However, Asahi's 1.4 per cent rise in unconsolidated recurring profits to Y21.74bn was mainly attributable to lower interest rates and financial asset write-downs. Sales were virtually stagnant, down 0.5 per cent at Y870.5bn.

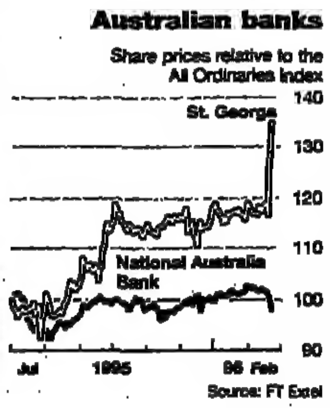
Like Kirin, Asahi expects a modest recovery this year, to sales of Y873bn and recurring profits of Y22bn. Asahi also announced yesterday that it planned to take advantage of last year's government decision to suspend tax on share buy-backs and spend up to Y10bn in repurchasing up to 8m of its own shares. By reducing the number of shares on the market, this could support Asahi's share price.

The smallest of Japan's listed brewing trio, Sapporo, with almost 20 per cent of the market, reported a 0.6 per cent fall in unconsolidated recurring profits to Y14.31bn, on sales down 1.7 per cent to Y620.15bn. Sapporo said it expected a relatively strong recovery in recurring profits, up by almost 12 per cent to Y16bn, on sales up 2.4 per cent to Y635bn.

NAB confirms purchase of 5.8% interest in St George

By Nikki Tait in Sydney


Don Argus



Source: FT Excel

National Australia Bank, Australia's biggest banking group, yesterday confirmed it was the "mystery buyer" of shares in St George Bank, the Sydney-based regional concern. It added that it had amassed a 5.8 per cent stake in the smaller institution.

But NAB – which also owns the Yorkshire, Clydesdale and Northern banks in the UK and recently acquired Michigan National in the US – said it would not be making a full takeover bid for St George "in the short term".

"The investment ... is a prudent step to ensure that NAB preserves its strategic objectives," said Mr Don Argus, chief executive. "St George Bank has a strong New South Wales franchise with an attractive customer base in what we believe is an important Australian market."

He said NAB would not be seeking board representation "at this stage", nor a closer operating relationship. But he appeared to be making a pitch for the freedom to forge a closer union at some stage when he added that changes in technology meant it was "critical that Australian banks are not hampered by industry competition restrictions which fail to recognise developments in the global financial services marketplace".

Although NAB is the country's biggest bank, recent rulings on takeovers in the banking sector have always appeared to give it the possibility of acquiring St George. The competition authorities have suggested each state should have at least one regional banking competitor, as well as the big four national banks. In NSW, Advance Bank is a strong regional competitor, which could make a takeover of St George acceptable.

As a result, there was immediate speculation that NAB was behind that buying of St George shares earlier this week. However, there was puzzlement yesterday over why NAB was moving so slowly – unless it wished to see the outcome of the March 2 federal election, which could prompt more relaxed attitudes to banking mergers.

St George said it was glad the uncertainty was resolved, and welcomed NAB on to the register. Its shares ended 31 cents higher at A$8.69, capitalising the bank at about A$1.7bn (US$1.3bn). NAB shares fell 24 cents to A$12.10.

Petroleum merger helps Caltex and Pioneer increase dividends

By Bethan Hutton in Sydney

Dividends from Australian Petroleum, the company formed last year by a merger of the petroleum operations of Caltex Australia and Pioneer International, lifted payouts at both parent companies.

Australian Petroleum paid both 50 per cent shareholders a final dividend of A$34.5m (US$26m) for the half-year ending December 31, after paying A$11.7m for the six months to June 30. Profits were shared from January 1 last year, although the merger officially took effect on May 8, after approval by Caltex shareholders.

The merger has so far met or exceeded targets, both companies said. Synergy savings of about A$550m are expected in the next few years. The company has already reduced staff by 700, and has disposed of 140 depots and 200 service stations.

Caltex Australia, 75 per cent owned by Caltex Petroleum of the US, announced a doubling of its dividend to 22 cents, despite net profits slipping to A$42.6m for the full year from A$58.6m in 1994. Earnings per share were 23.6 cents.

Caltex made the transition during the year from a trading to a holding company, of which the main assets are a 50 per cent stake in Australian Petroleum, and a 52.25 per cent stake in the Bayswater Colliery Joint Venture, held through Caltex Coal.

Mr Malcolm Irving, chairman, said the Bayswater colliery was operating profitably, but profits at Caltex Coal were hit by interest charges and payments to cover a shortfall in the coal industry's long service leave fund.

Pioneer International, which is primarily a building materials group, announced a record profit of A$134.3m for the six months to December 31, up from A$138.6m a year earlier. The dividend was raised 1 cent to 9 cents, on earnings per share of 15.1 cents.

Dr John Schubert, Pioneer's managing director, said the improvement was prompted by a 27 per cent increase in earnings from the group's overseas building interests. However, he warned that full-year results were likely to show a slight decline due to a flat building market in Australia and a harsh winter in the northern hemisphere. Earnings from Australian building materials fell 36 per cent to A$60.9m in the first half.

Pioneer was left with reduced debt and substantial cash in hand after the merger of its petroleum division, Ampol, to form part of Australian Petroleum, and so expanded its development and acquisition programme in the half year. It expects to spend A$750m on capital investment in existing businesses over the next three years.

COMPAGNIE FINANCIÈRE OTTOMANE GROUP

Results for the year ended 31 December 1995

	Investment Business Outside Turkey 1995 FRF'000	Investment Business Outside Turkey 1994 FRF'000	Banking Business In Turkey 1995 FRF'000	Banking Business In Turkey 1994 FRF'000	Total Group Result 1995 FRF'000	Total Group Result 1994 FRF'000
Net interest income	8,684	(21,580)	169,164	269,571	177,848	247,991
Investment income	4,805	30,302	146,992	113,683	151,797	143,985
Gain on sale of investments	95	(39,867)	46,435	74,076	46,530	34,209
Gains on revaluation of listed investments	13,613	5,839	-	-	13,613	5,839
Commission income	454	1,143	40,997	36,125	41,451	37,268
Rental income	8,696	9,598	119	48	8,815	9,646
Foreign currency gains	21,547	32,472	28,312	99,616	49,859	132,088
Other	-	-	1,088	114	1,088	114
	57,894	17,907	433,107	593,233	491,001	611,140
Operating expenses	19,248	21,046	161,256	182,958	180,504	204,004
Charge for bad and doubtful debts	-	-	(4,673)	17,819	(4,673)	17,819
Operating profit before tax	38,646	(3,139)	276,524	392,456	315,170	389,317
Current tax	(2,622)	4,383	90,170	106,467	87,548	110,850
Operating profit after current tax	41,268	(7,522)	186,354	285,989	227,622	278,467
Deferred tax					(19,596)	-
Net translation loss					(85,192)	(180,505)
Profit after tax attributable to shareholders					122,834	97,962
Distributions proposed					77,500	69,167
Profit retained					FRF 45,334	FRF 28,795
Earnings per share					FRF 24.57	FRF 19.59
Capital Resources					FRF 1,187,515	FRF 1,142,183

Exchange rate TL/FRF 12,439.0 (1994, 7,145.75)

The directors recommend, subject to approval at the AGM on 15 May, the increase of the dividend from FRF 12.50 per share before tax to FRF 14.00 per share before tax. If approved, the dividend and distributions under Article 36 of the Statutes will be payable on 22 May 1996.

	1995 FRF	1994 FRF'000
Dividend of FRF 14.00 per share - Coupon 123 (1994: FRF 12.50 per share)	70,000,000	62,500
Founders' Shares @ FRF 17,361 per share - Coupon 66 (1994: FRF 15,432 per share)	3,750,000	3,333
Directors	3,750,000	3,334
	77,500,000	69,167

The consolidated net profit for the year attributable to shareholders after taking into account the net translation loss on funds employed in Turkey increased by 25% from FRF 97,962 million in 1994 to FRF 122,834 million.

Whilst business conditions stabilised in the first half of the year following the 1994 financial crisis, political uncertainty increased again during the second half year. The net trading result of the Turkish banking subsidiary, Osmanli Bankasi, in local currency terms rose from TL 2,042 billion in 1994 to TL 2,338 billion in 1995. The inflation rate steadily increased and the TL/FRF exchange rate fell, ending the year at TL 12,439 to the French Franc compared with TL 7,145.75 at the 1994 year end. At group level the profit contribution of Osmanli Bankasi reflects the net translation loss on shareholders' funds in Turkey.

Outside Turkey, the investment performance was significantly better than in 1994 but with lower yields. The fall in interest income and increase in revaluation gains on listed investments, compared with 1994, reflects the movement into more liquid deposits and into the balanced fund mentioned last year. The foreign currency gains arose from hedging positions taken during the year to protect part of the group funds invested in Turkey. The recovery of tax is in respect of 1994 losses.

Notes
Annual General Meeting: 11.30 am Wednesday 15 May 1996 at Banque Paribas Luxembourg, 10a Boulevard Royal, Luxembourg.
The Report and Accounts for 1995 will be available at Compagnie Financière Ottomane SA, 23 Avenue de la Porte-Neuve, L-2227 Luxembourg, at Ottoman Financial Services, King William House, 24 Eastcheap, London EC3M 1AA and at Compagnie Financière Ottomane SA, 7 rue Meyerbeer, 75009 Paris, France.

21.2.1996

LEGAL NOTICES

BUGATTI INTERNATIONAL S.A.H.

By decision of the Commercial Court of Luxembourg of February 13th, 1996 the request for the appointment of a judicial administrator ("gestion contrôlée) filed by the company BUGATTI INTERNATIONAL S.A.H. with registered office at 8, rue Nicolas Petit, L-2326 Luxembourg was declard admissable and the 1st vice-president of the court was appointed to make enquiry and present a report. 1st July 1996 on the commercial situation of the company BUGATTI INTERNATIONAL S.A.H.

On February 14th, 1996, Me Jean BRUCHER, lawyer, of 10, rue Pierre d'Aspelt, L-2016 Luxembourg, has been nominated as expert with the mission to prepare a report regarding the commercial situation of the company BUGATTI INTERNATIONAL S.A.H.

Declarations regarding credits and claims against the company BUGATTI INTERNATIONAL S.A.H. should be sent to the registrar of the Commercial Court of Luxembourg at P.O. Box 15, L-2010 Luxembourg.

Expansion opportunities being sought in Asia and eastern Europe

Overseas growth boosts Commercial Union

By Ralph Atkins, Insurance Correspondent

Commercial Union, the largest UK-based composite insurer, yesterday made clear it was steering clear of seeking acquisitions in an increasingly tough home market as overseas business helped lift 1995 operating profits 14 per cent to £509m ($784m). Pre-tax profits, including realised investment gains and losses on the termination of activities, were £634m against a restated £480m.

Mr John Carter, chief executive, said the emphasis was on international expansion by organic growth and new ventures, particularly in Asia and eastern Europe where CU has a life operation in Poland. CU is also looking to expand its US business. Mr Carter's comments distinguished CU's strategy from that of rival insurers and other UK-based financial institutions.

"We are not out there looking for acquisitions," he said, and rebuffed suggestions that CU might bid for Clerical Medical, the UK mutual life insurer which is up for sale.

Highlighting the tougher conditions at home, UK general underwriting profits fell to £18m (£93m) with premium income dropping 11 per cent to £1.5bn. As well as fierce price cutting, CU said subsidence claims cost £26m more and the severe December weather brought £33m in claims.

CU estimated that recent bad weather could lead to up to £10m in claims. The bomb attack in the Docklands could result in losses of £5m but the burden of commercial claims of more than £100,000 would fall on Pool Re, the state-backed terrorism reinsurer.

Telephone sales was being kept low-key amid tough competition. The number of private cars insured fell by 13 per cent.

Outside the UK, profits were boosted by the inclusion of Groupe Victoire, the French insurer acquired in 1994. French operating losses of £8m swung to a £89m profit. However, CU admited life new business had been affected by restructuring as well as political and economic uncertainty.

Operating profits were also higher in the Netherlands and the US. Mr Carter said: "Our widespread general insurance operations – with 69 per cent of premiums outside of the UK – and the stabilising effect of the group's life business, will be of increasing importance as the cyclical downturn in the UK takes effect."

Life profits were £87m higher at £244m and total premium income was £8.65bn (£6.76bn).

The figures took account of the EU insurance accounts directive. Mr Peter Foster, finance director, said the move would introduce more consistency in the format of European insurers' profits. But the scope for individual companies to adopt different interpretations, particularly in the treatment of investment gains, "makes any true comparison still very difficult".

Ashley Ashwood

John Carter: rebuffed suggestions of a bid for Clerical Medical, saying CU was not looking for buys

Zeneca to spin off its seeds business into joint venture

By Jenny Luesby

Zeneca, the life sciences group, is to spin off its seed business, with annual sales of more than £150m, into a joint venture with Royal Vanderhave, a unit of Dutch Suiker Unie.

The joint venture, to be based in Kapelle in the Netherlands, will be among the world's top five seed companies, with sales of £300m a year. Zeneca and Suiker Unie currently rank 10th and 15th in the £7bn-a-year world seeds industry, which is highly fragmented and offers poor returns.

Zeneca seeds had been making losses for some years. The spin-off would not affect the group's aim of restoring the business to break-even this year.

It would generate substantial savings – estimated by analysts at more than 10 per cent of the cost base. And it would bring gains through complementary seed breeding programmes.

Analysts yesterday welcomed the joint venture as part of a much needed housecleaning exercise at Zeneca which was promised for this year. Other Zeneca businesses under review are the textile dyes and biodegradable polymers units.

However, the move represents a strategic shift within the group, as well as a drive towards greater profitability.

Put together in a series of acquisitions in the late 1980s at a cost of more than £200m, the seeds business was intended to complement the group's fledgling biotechnology business by providing a sales base for genetically engineered seeds.

Zeneca said it remained committed to developing such seeds through its plant science business, which it is retaining. The joint venture would be one of several companies with which the plant science business would work.

Mr Pragnell said both companies would benefit from "critical mass" in a fragmented market.

The two companies hope to proceed with the joint venture by the middle of this year.

Ashanti lists in New York

Ashanti Goldfields of Ghana, already quoted on the Accra and London stock exchanges, was listed on the New York exchange yesterday. At the same time, it announced it would issue $175m of exchangeable guaranteed notes on terms still to be finalised, writes Kenneth Gooding.

.The notes, due on March 15 2003, are to be exchangeable into Ashanti ordinary shares or global depositary shares.

Joint lead managers are Goldman Sachs International (as global book runner) and Barclays de Zoete Wedd.

Analysts said the funding of the Cluff Resources purchase might have compromised its potential to make further acquisitions.

Lloyds TSB still interested in deals

By Alison Smith, Investment Correspondent

The Lloyds TSB Group would consider buying another building society to add to Cheltenham & Gloucester, the former society which became its mortgage lending arm last summer.

Sir Brian Pitman, group chief executive, said in an interview that the merger between Lloyds Bank and the TSB Group, which took effect late in December, had not impaired the group's ability to make further acquisitions.

"If we could acquire another building society at an acceptable price, to make us an even lower-cost provider than we are at the moment, then we'd be interested," he said.

Sir Brian said that the £350m annual savings which he had promised from the TSB deal by 1999 was a "conservative" figure. "We shan't deliver less, and we might deliver more."

The Lloyds TSB group is already the UK's third largest mortgage lender, behind Halifax Building Society and Abbey National, but Sir Brian's interest in buying a society contrasts with the view taken by some other senior bankers.

Mr Derek Wanless, chief executive of National Westminster Bank, said this week: "We can't at the moment make the economic case for the acquisition of a building society, and so we have no intention to do so".

Apart from the high price a society might seek, the UK mortgage market is relatively flat and competition for new business is fierce.

Equally, it is doubtful whether any building society would want to be acquired by an organisation certain to cut back its branch network in the interests of lower costs. Lloyds TSB already has the most extensive high street presence of any bank.

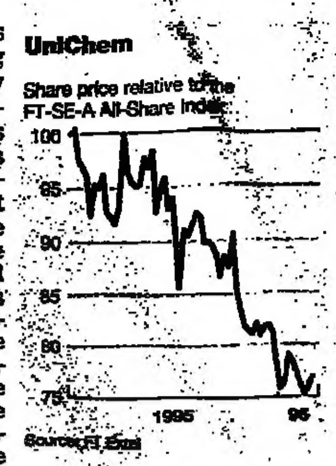
Last week, Lloyds Abbey Life, the life assurance group mainly owned by Lloyds TSB, said it would be quite interested in buying a mutual insurer. Sir Brian said Lloyds faced a dilemma in life assurance as to whether acquisition was a better way of expanding than organic growth. "My guess is that if a mutual life assurer was going too cheaply, then someone would come in and spoil the party."

Despite his recent track record of deals and attempted deals Sir Brian was clear about the virtues of expansion through investing in existing businesses.

"If we compare ourselves with some of the retail stores," he said, "so many of them have grown organically and grown very, very well without acquisitions".

LEX COMMENT

Lloyds Chemists



Shareholders in Lloyds Chemists must be reaching for the aspirins as they struggle to work out the relative merits of the two bids for the company. Yesterday's counter-offer from Germany's Gehe has one great attraction: it is a simple 500p-a-share cash offer. The rival cash-and-shares bid from UniChem requires greater analysis. In most battles, the bidder's share price comes under pressure. UniChem's has rallied because the Lloyds deal offers the prospect of substantial earnings enhancement in the first year. Applying the multiple that UniChem's shares traditionally enjoy to the prospective earnings of the combined group would have the effect of valuing Lloyds at 530p-550p a share – up to 10 per cent more than Gehe's 500p cash. Though UniChem's offer is still below that level, at one point yesterday it was within spitting distance.

Unfortunately, such calculations only highlight UniChem's problem: its success will be entirely dependent on its share price. Any slide in its stock could have a snowball effect, reducing the value of the bid, which in turn would undermine confidence in UniChem's ability to clinch the deal and cause its share price to fall further. Given its volatility, this is not unlikely. And since Gehe's bid, unlike UniChem's, is not final, the German group could still strike a knock-out blow if UniChem seemed to be edging ahead.

Gehe's hand, strengthened by such technicalities, will be difficult to beat, despite the merits of UniChem's case.

DIGEST

Vodafone sees slower growth

Vodafone, the UK market leader in mobile phones, expects profits growth to slow next year as a consequence of lower tariffs introduced to compete with digital services operators, especially Orange Communications.

Its average revenues per customer are already falling – from £597 in 1995 to £481 this year – as the number of higher spending businesses is declining compared with lower spending residential subscribers. *Alan Cane*

Mid-States warns on results

Mid-States, the US-based automotive parts distributor, yesterday said its 1995 profits were likely to halve after it lapsed into the red in the final quarter. The shares fell 6p to 33p.

Soft demand, competitive pressures and restructuring costs would affect pre-tax profits, which were likely to fall from £5.9m to £2.7m, the company said. *Motoko Rich*

LBMS shares fall further

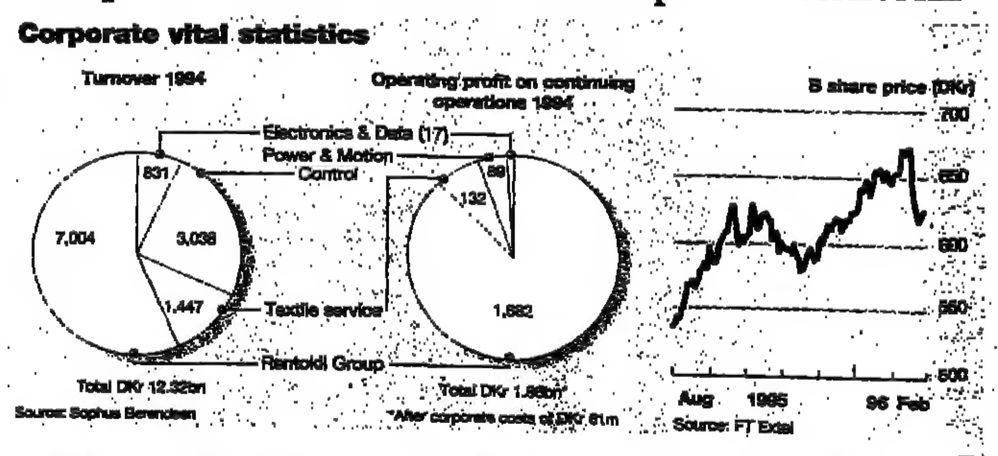
Shares in Learmonth and Burchett Management Systems fell a further 12p to 143p yesterday, after third quarter pre-tax losses which resulted in a nine month deficit despite profits at the interim stage. When the software company warned of the losses at the beginning of the month the shares fell 45 per cent to 177p. It blamed weak revenues outside the US and a shortfall in implementation and training revenues worldwide.

It was taking action, but warned of risks and uncertainties. "The company continues to be susceptible to potentially significant variations in revenue and operating results."

Dependent parent behind child's bid

Tim Burt considers Sophus Berendsen's relationship with Rentokil

Corporate vital statistics



Sophus Berendsen, the Danish services and distribution group which owns a majority stake in Rentokil, has defended the UK company's £1.8bn ($2.8bn) hostile bid for BET and predicted the takeover would lift its own profits. Although the 190p a share cash and paper offer will dilute the Copenhagen-based group's stake in Rentokil from 51.8 per cent to about 36 per cent, the company said the enlarged group promised to deliver improved dividends and earnings per share.

Mr Hans Werdelin, chief executive, said: "It is important to maintain the success story of Rentokil, and if that can be enhanced by buying BET, then we're for it."

In an interview, he rejected suggestions that the Danish company had been kept in the dark about Rentokil's intentions, saying that he had been kept fully informed of preparations for a bid.

He remarked: "Not much escapes your attention when you have had a majority holding since the company was formed 70 years ago."

Sophus Berendsen, named after its 19th century founder, set up Rentokil in 1927 as the UK offshoot of Danish Ratin, the Scandinavian pest control company. Since then, it has derived most of its profits from the rapid expansion of the UK business. In 1994, Rentokil contributed DKr 1.68bn of Sophus Berendsen's DKr 1.86bn operating profits.

The company will underline its dependence on the UK group when it announces its 1995 results in April, with profits growth expected to match the 21 per cent increase reported last week by Rentokil.

Shares in the Danish company, however, have fallen by almost 10 per cent since Rentokil announced its bid, with daily turnover rising from an average of about 30,000 to 100,000 shares.

In Copenhagen, some analysts have blamed the fall on concerns among Danish investors that the group's stock market rating could be downgraded if the bid for BET succeeded.

Mr Torben Sand of Svenska Handelsbank said shareholders feared that once Rentokil became an associate rather than a subsidiary, Sophus Berendsen would be rerated as an investment company rather than a distribution and services group.

"It means that Rentokil's profits will be treated only as associate income; without those contributions, operating margins will fall from 15 per cent to 4.8 per cent." Mr Werdelin rejected this view and said that the group's non-Rentokil operations were enjoying steady growth.

He admitted that Sophus Berendsen's financial performance was underpinned by Rentokil contributions. However, he added that the group was establishing a niche as one of the world's largest distributors of hydraulic components and power transmission products.

Indeed, some analysts expect the company to cut its stake in Rentokil in order to fund further expansion in areas such as power controls and textile services.

"I'm quite sure that, two or three years down the road, they will sell some of their equity to make acquisitions," commented Mr Tage Fabrin-Brasted of Kleinwort Benson Securities.

Mr Werdelin played down such prospects, saying that Sophus Berendsen intended to retain its Rentokil stake as a strategic investment.

He maintained that Rentokil had contributed more than enough cash to finance acquisitions by the Danish company in the past, and there was no reason why it should not continue to do so.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Canadian Pizza	Yr to Dec 31	14.2	(15.6)	1.41	(2.33)	5.9	(9.8)	2.4	May 8	3.6	4.8	6
Commercial Union	Yr to Dec 31 ★	8,647□	(6,762□)	634	(480)	64.3†	(61.5)	17.55	May 17	16.29	28.25	26.4
LBMS §☆	9 mths to Jan 31	30.3	(28.5)	0.29♠L	(5.16♠L)	1L	(28L)	-	-	-	-	-
My Kinda Town	6 mths to Dec 31	15.2	(12.7)	1.02♠	(1.33)	3.3	(4)	1	Apr 26	1	-	3
Stoves	6 mths to Dec 2	27.9	(22.5)	1.5	(1.33)	6.1	(6.3)	1.7	Apr 10	-	-	-
Torax Hire	14 mths to Dec 31♦	7.29	(5.69)	0.527♠	(0.471)	2.4†	(3.1)	1.2†	May 7	1	1.5	1.3
Towry Law	6 mths to Dec 31	7.02	(9.36)	1.47L	(1.14L)	6.8L	(5.4L)	nil	-	1.5	-	25

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
F&C Enterprise	Yr to Dec 31	102.2	(82.9)	1.53	(1.06)	1.63	(1.12)	1.2	Apr 19	0.8	1.2	0.8
Finsbury U'writing	6 mths to Dec 31	111	(90.8)	0.219	(0.226)	0.73	(0.75)	0.6	Mar 27	0.6	-	1.7
Lazard Smaller	Yr to Dec 31	150.4	(140.7)	0.165	(0.351)	1.43	(3.04)	0.25	Apr 12	0.25	0.25	0.25
Scottish Asian	6 mths to Jan 31	339	(247.8)	0.156L	(0.101L)	0.86L	(0.58L)	-	-	-	-	-

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ★Comparatives restated. □Total premium income. ♠After exceptional charge. †On increased capital. §USM stock. ☆US currency. ♦Comparatives for 12 months.

COMMODITIES AND AGRICULTURE

MARKET REPORT

LME lead prices climb to 5¼-year highs

LEAD prices rose to their highest since October 1990 on the London Metal Exchange yesterday. The cash position ended after hours "kerb" trading at $785 a tonne, up $7.

"There is general speculative and fund interest in lead, with people looking to establish long positions if they have not already done so," said Mr Robin Bhar of Brandeis. Prices also reflected supply tightness that could intensify if cold weather in Europe and North America translated into a high rate of vehicle battery failures.

But the latest Macquarie Commodities Report was more cautious about the short term price outlook. "We are very bullish about lead's prospects in the second half of the year, when the main replacement battery season starts again," it said. "However, in the short term, if the physical market continues to ease and LME stock offtake slows, prices are likely to move lower.

US-based buying helped to lift all base metals prices during the afternoon, repeating the trend of the previous few days. Analysts said the outlook for base metals demand in the US was stronger than in Europe and Asia.

"The US seems to be leading the way," said Mr Bhar. "They're more advanced in the business cycle."

The buying helped to lift COPPER prices slightly during the afternoon and the three months position finished at $2,482 a tonne, down just $3 from Tuesday's close.

Three months ALUMINIUM edged up $2 to $1,625 a tonne as prices remained locked in a well-worn range.

ZINC fell $7 to $1,047 after the market again tested support at about $1,043. Physical business in Europe was slow, with some traders talking of consumers looking to cancel some frame contract orders.

Compiled from Reuters

Indian cotton growers seek election bonus

The farmers' lobby is pressing for further export quota releases, writes Kunal Bose

This is election year in India, so the country's farmers' lobby, unofficially led by Mr Balram Jakhar, a former agriculture minister, finds itself in a stronger position than usual. It could prevail upon the federal government to release extra cotton for export, in addition to the 610,000 bales (170kg each) already authorised for the current September-August season.

Though such a move would win agricultural votes, however, it would anger the mill owners, who still insist that any decision on cotton exports should await the release of the final crop estimate for 1995-96.

The crop forecasting system in India is so weak that even now a dispute between the Cotton Advisory Board and the trade over the opening stock for the 1994-95 season and remains unresolved.

A few years ago when the government took the decision that India should export at least 500,000 bales of cotton annually to maintain its presence in the global market, the growers came to believe that the quota for export would be released at the beginning of a season to keep domestic cotton prices at "remunerative levels".

The quota for the current season has been released in four instalments. At the end of October, the government invited bids for the export of 100,000 bales of Bengal Deshi cotton, an unspinnable variety used mainly for stuffing. To provide an incentive to the ginning and pressing factories that have been modernised, the government released an export quota of 100,000 bales of staple cotton in November exclusively for them. Finally, earlier this month, pressed hard by the agriculture ministry, the textile ministry sanctioned the export of 410,000 bales of cotton in two stages.

Within the last amount there was an exclusive allocation of 100,000 bales of long staple and extra long staple cotton for the Cotton Corporation of India, a federal government undertaking. CCI is, however, free to compete with other state organisations and private trading houses to get allotment from the remaining 310,000 bales.

According to the traders, the government quickness in sanctioning exports helped to arrest a fall in cotton prices that was causing concern in December and early January among farmers, who have committed 8.34m hectares to the crop in the current season, compared with 7.86m last year.

Cotton is a major crop in at least nine Indian states – Maharashtra, Gujarat, Madhya Pradesh, Andhra Pradesh, Karnataka, Tamil Nadu, Punjab, Haryana and Rajasthan – and in the election year the government cannot afford to arouse the displeasure of the millions of growers by deferring a decision on exports for too long. So many traders say they will not be surprised if the government makes further releases before the elections, which are likely to be held at the end of April.

The nine major cotton growing states have nearly 50 per cent of the seats of the lower house of the Indian parliament.

> The government has to balance the prospect of winning agricultural votes against the resentment extra exports would cause among mill owners.

According to Mr C.H. Mirani, president of the East India Cotton Association, the country's principal trade body for the fibre, India should be aiming at an annual exports of 1m to 1.5m bales. In 1992-93 it exported 1.38m bales but the following year saw a fall to 390,000. Last year, not only did export decline further to 183,000 bales, but India also had to import 450,000 bales. Farmers argue that as textile mills are free to import any quantity of cotton without customs duty, they really do not have a case against exports.

The industry does not want to use imported cotton, however, as local fibre is at least 20 per cent cheaper. But Mr Mirani says that Indian farmers' interest in cotton growing will only be sustained if "they get the same prices as their counterparts in the other cotton growing countries".

In the meantime, the government's recommended minimum support prices for cotton have lost their relevance as domestic prices are at least 70 per cent higher. Much to the relief of the government prices firmed up following the announcement of the additional export quota of 410,000 bales.

Reacting strongly to the liberal allocation of cotton for export, an official of the Indian Cotton Mills Federation said that there there was no justification for the move, especially when restrictions on the export of yarns remained. He thought that the rise in local cotton prices would throw many marginal textile units out of business.

The finance ministry is reported, however, to be in favour of further liberalisation of the cotton export trade.

The EICA, which in the beginning of the season made a provisional cotton crop estimate of 14.3m bales, has since revised it twice – first to 14m bales and then to 13.65m bales. India is not reaping the full benefit of the additional land under the crop in the current season because of the late arrival of the monsoon and the unusually heavy rain that hit three major cotton growing states in October.

According to the EICA, the current season opened with stocks of 4.2m bales. Leaving aside the possibility of imports, the minimum availability of fibre during 1995-96 will be 17.85m bales. That should be enough to provide 11.9m bales for the textile mills, 550,000 bales for the small spinning factories, 950,000 bales for non-mill consumption and 610,000 bales for export. For India, the season's opening stock should be big enough to meet the demand of the textile units for the first three and a half months as the arrival of the new crop starts picking up from the middle of November.

Even if India allows the export of another 200,000 bales of cotton, there will be no shortage of fibre in the early part of the next season and there is no doubt that the textile mills will be importing some cotton for the batching requirement. So farmers do not see why the industry should begrudge them getting world prices for their cotton.

Asarco begins Arizona test of 'in situ' mining technique

By Kenneth Gooding, Mining Correspondent

Pilot scale testing has started in Arizona of a technique that may eventually provide a substantial additional source of low cost copper and other metals.

Dubbed "in situ" or "in place" mining, it involves injecting an ore body with a dilute solution of sulphuric acid to leach out the metal.

"In situ mining holds the promise of producing very high grade copper, with low costs and minimal environmental impact, from certain deposits that are too deeply buried and too low grade to be mined by conventional methods," said Asarco, the US intergrated metals producer that is managing the project.

Asarco joined forces in 1988 with another US company, Freeport-McMoRan Copper & Gold to start the Santa Cruz In Situ Mining Research Project with financial help from the US Government, which has put up $15m of the $30m budget so far.

Since then five production wells have been constructed (one injection well and four for recovery) and four ground water monitoring wells. Environmental permitting was completed late in 1994.

Construction of a small-scale facility to remove copper from the sulphuric solution and other preparations for acid injection were recently completed, clearing the way for the final test of the technology.

This involves diluted sulphuric acid being injected nearly 500 metres below the surface into undisturbed granite bedrock containing soluble copper oxide minerals. The solution is recovered through wells and pumped to the surface where it is processed and re-injected into the mining zone in a closed loop. Copper is expected to build up gradually in the solution. Asarco expects that within a few weeks the solution will be rich enough in copper to begin extraction of the metal before the solution is reinjected.

The test will last about two years, depending on results. Data from the test will show if copper can be extracted in this way and if the mining technique is economically feasible. The participation of the US government means the information gained from the project will be publicly available in the States. Asarco said that, if the test is successful, results could be used for larger scale commercial production at the Santa Cruz site, seven miles west of Casa Grande, and on other, similar copper deposits.

Asarco does not expect the technique to revolutionise copper mining, however, because only deposits with particular characteristics lend themselves to this treatment. Nevertheless, it hopes that the method might be used to recover other metals from deep deposits with low metal content.

Thailand set to beat rice target

By Ted Bardacke in Bangkok

Thailand, the world's biggest exporter of rice, is likely to exceed its 5m-tonne rice export target in 1996, as growing world demand is combined with expected poor crops and poor commercial records in competitor countries, the Thai Farmers Bank Research Institute said in a study released yesterday.

The study added that last year's flooding in Thailand, the worst in recent memory, should dent the projected 1995-96 paddy harvest of around 21m tonnes by only 0.4 per cent.

Thai rice exports in 1995 totalled 6m tonnes, the second best performance in history, after 1989's 6.14m tonnes.

Higher world rice prices had caused Thai farmers to sow more marginal land during the dry season harvest, expected to yield 3.4m tonnes compared to 2.9m tonnes a year ago, the report said.

This added production would help replenish Thai domestic rice reserves, which stand at a low 420,000 tonnes compared to 630,000 tonnes at the same time last year.

The report claimed that Thailand this year was likely to reclaim part of the Chinese and Indonesian markets for rice after losing part of them in the past two years to Vietnam and Burma respectively.

Vietnam would have trouble meeting its official 2m-tonne rice export target, the report said, because of a consolidation in the country's rice trading industry after a harsh crackdown on illegal rice smuggling and exports.

Burma, which expects 30 year high rice harvest of 23m tonnes in 1995-96, had lost some customers after it defaulted on nearly half of 1m tonnes of rice shipments it had promised to traders last year, Thai Farmers said.

The Burmese government has a rice target of 1.5m tonnes this year.

● Current high grain prices have not stopped poor countries from paying market, rather than subsidised prices, Mr Bill De Maria, assistant executive director of the International Grain Council, said yesterday reports Reuters.

"Their action is indicative of how rarely populations return to traditional staple foods once they have switched to cereals, especially wheat," he told Agra Europe's Outlook Conference in London.

As was usual when grain prices were high, its use for animal feed bore the brunt of the drop in the world wheat and coarse grain crops, he said.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1594-5	1624-5
Previous	1589-90	1618.5-9.5
High/low		1628/1617
AM Official	1589-90	1618.5-9.0
Kerb close		1624-5
Open int.	208,581	
Total daily turnover	35,400	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1350-60	1382-5
Previous	1345-55	1385-90
High/low		1390/1385
AM Official	1350-2	1385-90
Kerb close		1387-90
Open int.	6,098	
Total daily turnover	1,377	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	782.5-3.5	776.5-7.0
Previous	772-4	768-9
High/low	783	785/776
AM Official	783-3.5	777-8
Kerb close		780-2
Open int.	35,497	
Total daily turnover	8,686	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	8230-40	8345-50
Previous	8225-35	8340-50
High/low		8410/8310
AM Official	8210-15	8315-6
Kerb close		8380-90
Open int.	40,461	
Total daily turnover	7,067	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6205-15	6270-75
Previous	6180-90	6250-55
High/low	6220	6320/6270
AM Official	6215-20	6275-80
Kerb close		6275-85
Open int.	15,390	
Total daily turnover	5,318	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1027-8	1045-6
Previous	1002.5-3.5	1042-3
High/low		1059/1043
AM Official	1028.5-9.0	1047-7.5
Kerb close		1046-7
Open int.	81,758	
Total daily turnover	14,817	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2512-4	2477-8
Previous	2505-9	2475-6
High/low	2500/2498	2493/2472
AM Official	2499-00	2472-3
Kerb close		2481-2
Open int.	169,410	
Total daily turnover	88,177	

■ LME AM Official £/$ rate: 1.5444
LME Closing £/$ rate: 1.5429

Spot: 1.5427 3 mths: 1.5394 6 mths: 1.5358 9 mths: 1.5316

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	116.05	+0.75	116.20	114.80	386	1,758
Mar	114.05	+0.30	114.20	113.00	4,072	19,394
Apr	113.55	+0.30	113.70	112.70	101	1,351
May	112.45	+0.20	112.60	111.50	1,925	10,243
Jun	111.85	+0.15	111.80	111.80	11	727
Jul	110.70	+0.15	111.00	110.05	275	3,185
Total					7,199	46,427

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	397.30-397.80		
Opening	398.80-399.30		
Morning fix	398.50	258.297	472.541
Afternoon fix	396.50	256.862	470.208
Day's High	399.40-399.90		
Day's Low	396.50-397.00		
Previous close	401.80-402.20		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.45	6 months	3.88
2 months	4.13	12 months	3.11
3 months	4.08		

Silver Fix	p/troy oz.	US cts equiv.
Spot	359.70	555.00
3 months	364.75	561.60
6 months	369.30	567.35
1 year	379.05	579.05

Gold Coins	$ price	£ equiv.
Krugerrand	397-400	257-258
Maple Leaf	409.00-411.55	-
New Sovereign	93-96	60-62

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	402.1	+3.0	401.5	396.5	123	240
Apr	404.0	+2.9	404.2	397.8	60,875	118,206
Jun	406.7	+2.8	407.0	400.5	32,618	33,379
Aug	408.8	+2.9	407.5	401.8	214	11,394
Oct	411.0	+3.0	408.0	406.0	14	3,630
Dec	413.1	+3.0	412.1	407.0	251	14,116
Total					98,388	221,187

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	421.1	-1.0	421.5	416.1	2,280	15,825
Jul	[illegible]	-1.0	422.5	419.0	215	4,210
Oct	425.8	-1.0	425.0	[illegible]	3	1,314
Jan	428.0	-1.0	-	-	24	85
Total					2,499	21,436

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	144.25	+1.75	144.50	140.75	965	2,937
Jun	145.45	+1.75	145.50	142.00	1,043	4,455
Sep	146.70	+1.75	-	-	4	107
Dec	147.95	+1.75	145.00	145.00	2	89
Total					2,014	7,598

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	557.5	+5.1	564.5	554.5	19	18
Mar	558.0	+5.0	558.5	547.0	27,093	46,580
May	[illegible]	+5.0	564.0	552.5	5,976	29,461
Jul	567.9	+5.1	569.5	556.0	773	10,168
Sep	572.1	+5.1	572.5	562.0	187	10,616
Dec	578.4	+5.1	580.0	588.0	271	6,817
Total					34,343	108,005

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	22.75	-	23.00	18.98	36,646	14,325
Apr	19.43	+0.16	19.50	19.03	70,403	97,944
May	18.82	+0.03	18.82	18.50	21,365	51,882
Jun	18.37	-0.10	18.37	18.14	6,283	35,936
Jul	18.05	-0.22	18.07	17.90	2,311	36,036
Aug	17.84	-0.29	17.87	17.79	1,352	14,927
Total					140,344	403,310

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	118.05	-0.70	118.30	117.85	87	869
May	120.75	-0.60	121.00	120.50	300	3,661
Jul	122.80	-0.65	123.10	122.50	[illegible]	512
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel) [illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel) [illegible]

■ BARLEY LCE (£ per tonne) [illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel) [illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb) [illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton) [illegible]

■ POTATOES LCE (£/tonne) [illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point) [illegible]

FUTURES DATA
All futures data supplied by CMS.

Nuts and Seeds [illegible]

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	893	-8	901	[illegible]	957	9,390
May	916	-8	925	914	1,478	23,824
Jul	940	-7	948	939	788	12,340
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes) [illegible]

■ COCOA (ICCO) (SDR's/tonne) [illegible]

■ COFFEE LCE ($/tonne) [illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs) [illegible]

■ COFFEE (ICO) (US cents/pound) [illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs) [illegible]

■ WHITE SUGAR LCE ($/tonne) [illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs) [illegible]

■ COTTON NYCE (50,000lbs; cents/lbs) [illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs) [illegible]

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100) [illegible]

■ CRB Futures (Base: 1967=100) [illegible]

■ GSCI Spot (Base: 1970=100) [illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	63.825	+0.150	64.050	63.600	920	2,720
Apr	63.775	+0.200	64.250	63.350	3,855	36,084
Jun	62.125	+0.325	62.350	61.700	1,708	19,193
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	48.525	-0.350	48.725	48.400	109	3,881
Oct	44.950	-0.100	45.100	44.925	83	1,878
Total					5,821	33,247

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	61.950	-0.050	61.700	61.000	112	273
Mar	60.675	-0.550	60.850	59.750	1,867	2,949
May	61.500	-0.875	61.950	60.800	1,275	[illegible]
Jul	59.125	-0.625	59.250	58.300	164	1,518
Aug	55.600	-0.680	56.000	55.300	36	265
Total					3,384	8,721

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	May	Jul	May	Jul
1500	136	159	14	27
1600	69	96	46	62
1700	28	52	104	115
■ COPPER (Grade A) LME	May	Jul	May	Jul
2400	120	112	32	72
2500	63	67	74	124
2600	28	-	137	-
■ COFFEE LCE	Mar	May	Mar	May
1500	603	483	-	5
1550	553	437	-	8
1600	503	392	-	14
■ COCOA LCE	Mar	May	Mar	May
875	18	52	-	11
900	1	36	8	20
925	-	23	32	32
■ BRENT CRUDE IPE	Apr	May	Apr	May
1700	-	70	20	49
1750	65	41	31	-
1800	35	27	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Mar)

		+or-
Dubai	$16.42-5.52w	+0.26
Brent Blend (dated)	$18.93-8.99	+0.38
Brent Blend (Mar)	$17.86-7.88	+0.325
W.T.I.	$19.33-9.35	+0.47

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$175-177	+2
Gas Oil	$191-193	+2
Heavy Fuel Oil	$93-95	
Naphtha	$174-175	
Jet fuel	$206-208	+4
Diesel	$194-195	

Petroleum Argus. Tel London (0171) 359 8792

■ OTHER

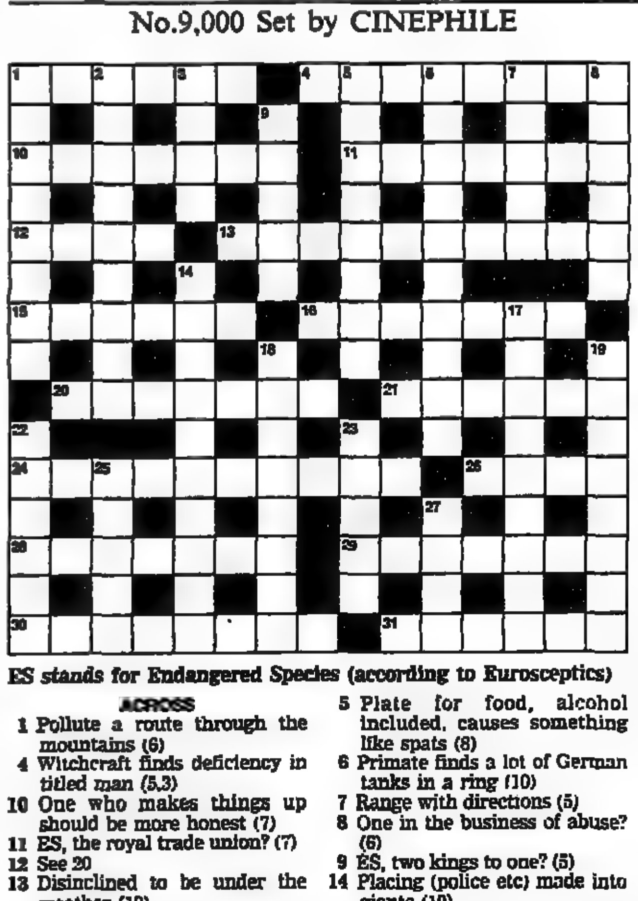
Gold (per troy oz)♣	$397.55	-4.45
Silver (per troy oz)♣	562.5c	-12
Platinum (per troy oz.)	$415.40	-5.60
Palladium (per troy oz.)	$140.00	+1.25
Copper	123.0c	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	Unq.	
Tin (New York)	292.50c	
Cattle (live weight)†	113.50	+0.35*
Sheep (live weight)†♣	129.68	-3.56*
Pigs (live weight)†	105.12	-6.65*
Lon. day sugar (raw)	$317.70	-8.20
Lon. day sugar (wte)	$409.00	+1.50
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	150.5z	
Wheat (US Dark North)	Unq.	
Rubber (Mar)♥	107.50p	+0.5
Rubber (Apr)♥	107.50p	+0.5
Rubber (KL RSS No1)	406.00m	
Coconut Oil (Phil)§	$745.0w	
Palm Oil (Malay.)§	$520.0	
Copra (Phil)§	480.0y	
Soyabeans (US)	207.0y	-2.0
Cotton Outlook'A' Index	84.65	
Wooltops (64s Super)	438p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. u Feb.♥ w Apr. y Feb/Mar. w Mar/Apr London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week †

JOTTER PAD

CROSSWORD

No.9,000 Set by CINEPHILE



ES stands for Endangered Species (according to Eurosceptics)

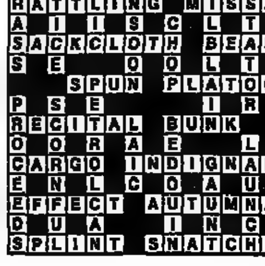
ACROSS

1 Pollute a route through the mountains (6)
4 Witchcraft finds deficiency in titled man (5,3)
10 One who makes things up should be more honest (7)
11 ES, the royal trade union? (7)
12 See 20
13 Disinclined to be under the weather (10)
15 ES, with favourite article about it (6)
16 Suffer attempt to enter seed plant (7)
20, 12 ES for musical cataloguer to note (11)
21 All the results are disastrous (6)
24 South of summit, turn into the line of least resistance? (4,6)
26 Agitation to reduce aircraft speed (4)
28 U, nearer than Np and Pu? (7)
29 Some honour is held to encourage (7)
30 Once having gone wrong inside, it can cause tumours (8)
31 Male journalist performed (6)

DOWN

1 In sinks – be quiet a moment! – they are for washing up (4,4)
2 Core fuels used to emit light from tubes? (9)
3 ES for rail travel (4)
5 Plate for food, alcohol included, causes something like spats (8)
6 Primate finds a lot of German tanks in a ring (10)
7 Range with directions (5)
8 One in the business of abuse? (6)
9 ES, two kings to one? (5)
14 Placing (police etc) made into giants (10)
17 ES sounds like an old one of ours (9)
18 Jock is most upset during examination (8)
19 Careless in not wearing boots? (8)
22 ES, one to act on copper (6)
23 ES in enclosure (5)
25 ES was manager in football club (5)
27 ES boat (4)

Solution 8,999



INTERNATIONAL CAPITAL MARKETS

Short-covering helps lift US Treasury prices

By Lisa Bransten in New York and Martin Brice in London

Bargain hunting and short-covering helped US Treasury prices rebound from Tuesday's sharp sell-off in early trading yesterday.

Near midday the long bond was ¾ stronger at 95⅝ to yield 6.342 per cent, while at the short end of the maturity spectrum the two-year note was up ⅟₁₆ at 99⅔⅔ to yield 5.135 per cent.

Yesterday's recovery was augmented by traders who had bet on a second day of declining bonds and were forced to cover short positions by buying bonds in early trading.

A new interpretation of the Congressional testimony of Mr Alan Greenspan, chairman of the Federal Reserve, was also supportive of the bond market.

On Tuesday, Mr Greenspan rattled the market, sparking a 2 point decline in the price of the long bond, as he told a House of Representatives panel that the economy seemed to be "on track" – a remark that many took as a signal that the Fed was not likely to lower interest rates at the March 26 meeting of its Open Market Committee.

Yesterday, in testimony to a Senate panel, Mr Greenspan again avoided direct discussion of future interest-rate policy, but the market took a more sanguine view of his comment that: "What you have to do is weigh the pluses and minuses of particular policies which you could potentially make."

The market moved briefly off its session highs at mid-morning after the release of the Mitsubishi/Schroder Wertheim survey, which reported a 2.7 per cent increase in chain store sales last week.

GOVERNMENT BONDS

■ European government bond markets recovered some of their poise yesterday, helped by domestic factors as well as the recovery in the Treasury market.

UK government bonds were encouraged by weak retail sales figures, while Italian bonds were lifted by inflation figures and bund investors waiting for the M3 money supply figure were reassured by a business confidence survey.

■ German bonds opened lower on the back of the previous day's fall in Treasuries, but recovered more than a point to finish in positive territory after finding buyers when 10-year yields reached 6¼ per cent.

Sentiment was helped by the IFO survey of business confidence, which showed a fall in the index from 93.2 for December to 92.6 for January.

"The indications from the IFO economists are that they are expecting some sort of recovery in the weeks to come but until we see that, the market will continue to respond favourably," said Mr David Brickman, European economist at Yamaichi International.

"Even if you don't believe the Bundesbank will cut rates again, you cannot argue that it is about to raise rates," he said, adding that private sector lending figures suggested any large M3 number was likely to be a distortion.

The curve flattened slightly as the yield on two-year paper rose by 4 basis points and that on 10-year paper fell by 4 points, with the spread between the maturities at 223 points.

On Liffe, the March 10-year bund future closed up 0.43 at 97.44. The yield spread of 10-year bunds over Treasuries tightened by 12 basis points to 30 points.

■ French bonds took their direction from bunds in the absence of domestic factors. On Matif, the March future settled at 120.10, down 0.04, while March Pibor fell 0.07 to 95.24. The spread over bunds tightened by 1 basis point to 37 points.

■ Encouraging inflation numbers helped Italian government bonds outperform bunds, and the spread over 10-year paper narrowed by 19 basis points to 447 points.

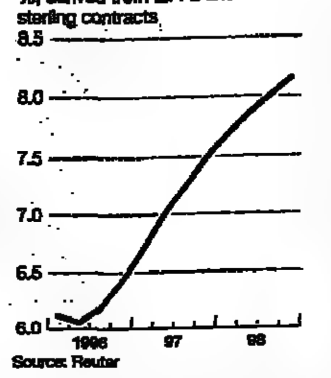
The headline rate of inflation fell from 5.8 per cent in December to 5.5 per cent in January, although hard conclusions are difficult to draw as the figures are the first to be released since the revisions to the index.

Mr Ken Wattret, international economist at HSBC Markets, said: "The implications for official rates are unclear. The central bank has already expressed its reluctance to cut rates in the absence of corrective action on the budget deficit. With the lira expected to come under pressure as the political uncertainty mounts, the odds look to be stacked against a near-term rate cut."

Yields fell along the curve: on two-year paper by 28 basis points and on 10-year bonds by 23 points. On Liffe the March future to rose 1.52 to 109.03.

Interest rate expectation

%, derived from LIFFE short sterling contracts



Source: Reuter

■ Gilts were heartened by news that retail sales had fallen by 0.6 per cent in January, against market expectations of a 0.2 per cent rise.

The March future on Liffe closed up ⅔⅔ at 107⅔⅔ while the spread over 10-year bunds tightened by 5 basis points to 158 points.

Minutes of the January meeting between Mr Kenneth Clarke, the chancellor, and Mr Eddie George, governor of the Bank of England, showed Mr George was not opposed to last month's rate cut.

"A lot of the market had speculated that because the Bank didn't comment at the time on the rate cut, it disagreed. But it is quite obvious there was no disagreement and there is ample scope for interest rate cuts," said Mr Andrew Roberts, gilts analyst at UBS.

■ The Swedish yield curve steepened slightly as some traders positioned themselves for a possible lowering of the permitted interest rate range.

Mr James Stewart, head of research at Enskilda, said a survey of inflation expectations had shown growing evidence that the economy was growing at a slower pace, as Sweden's export markets were cooling off.

The spread over 10-year bunds widened by 7 basis points to 267 points.

Creditanstalt and Grant join forces

By Chrystia Freeland in Moscow

Creditanstalt Investment Bank, the Austrian investment bank, is to merge its Russian operations with Grant Financial Group, one of Moscow's leading investment companies.

Creditanstalt-Grant Investment Company will take over all of Grant's business and Creditanstalt's Russian transactions.

By joining forces with a Russian player, Creditanstalt is following in the footsteps of other western banks, such as MC Securities and Renaissance Capital, which have decided that a close alliance with a local company is the best way to penetrate the often opaque Russian market.

Creditanstalt is one of the dominant investment banks in eastern Europe and officials said the decision to move into Russia was "a logical next step" in its evolution.

Established less than four years ago, Grant is one of Russia's pioneering securities companies and Mr Andrei Orekhov, its chief executive, is one of Moscow's most prominent investment bankers.

But the new venture is being launched during a difficult time for the Russian securities market. June presidential elections and mounting demands for a partial reversal of privatisation have created a climate of uncertainty which has pushed Russian equities down by 8 per cent in dollar terms since the beginning of the year and most analysts see no relief ahead of the June ballot.

Frankfurt urged to catch up with London telecoms

By Andrew Fisher in Frankfurt

Banks operating in both Frankfurt and London are pushing the German financial centre to catch up with the UK capital in the range of telecommunications facilities provided.

In a report on communications as a competitive factor, Landeszentralbank in Hessen (the regional central bank of the state of Hesse), said Frankfurt should reach the same standards as London in terms of security, costs and service.

"Banks that operate in both centres perceive the differences between the two as serious," it said. "The deregulation of the British telecommunications market during the middle of the 1980s gave the financial centre of London a head start over Frankfurt." It was now catching up, however, with the city opting for competition between private operators and Deutsche Telekom.

Frankfurt's policy was in contrast to other German cities, which are building municipal networks. This was producing benefits in price and service levels, as well as the speed at which the networks were being developed. "The investments also enhance Frankfurt's image as a financial centre," the bank added.

Landeszentralbank in Hessen said that while banks did not decide where to locate their operations on the basis of communications infrastructure, "some banks tend to concentrate business activities with a high telecommunications requirement in those places which are best equipped in that respect".

This was also true for information services provided for the banks' clients, the report said. These are often being located in low-cost sites from which information is sent out worldwide.

Activity slows to a trickle

By Conner Middelmann

The recent slide in government bond markets brought primary activity in the eurobond sector to a virtual standstill, with only a small trickle of deals materialising yesterday.

The D-Mark sector saw two short-dated, retail-targeted transactions, DM300m for the Kingdom of Denmark, rated Aa1/AA+, and DM250m for triple-A rated Rabobank Nederland. After moving into longer maturities at the beginning of the year, retail investors have returned to the shorter end of the yield curve, which offers greater protection from price volatility, dealers said.

The main attraction of Denmark's 3¾-year offering was its 5 per cent coupon, which resulted from the recent rise in German yields, said an official at Daiwa Europe, which led the deal jointly with Paribas. He said a similar bond issued in early February carried a coupon of 4.5 per cent. Moreover, he said, the D-Mark sector has seen little European sovereign issuance this year. The bonds were priced flat to German government bonds.

INTERNATIONAL BONDS

Rabobank's issue has a coupon of 4.5 per cent but it is nine months shorter than Denmark's. Moreover, said an official at book-runner SBC Warburg, European retail investors are keen on Dutch triple-A rated names. The bonds were priced to yield 5 basis points over government bonds.

Germany's DSL Finance issued FFr1.5bn of 10-year bonds via CDC and Société Générale. Priced to yield 10 basis points over French government bonds, the issue was placed mainly with French pension funds and insurance companies, with additional interest from Germany and the Benelux region.

Spintab, the Swedish mortgage bank, increased a $100m floating-rate note issue launched in mid-January by $200m. Bookrunner PaineWebber said the increase had been largely preplaced.

Another floating-rate note offering is being rumoured for the Hellenic Republic, which is said to be planning a $500m issue of seven-year notes priced at a yield spread over Libor in the 70s.

Among emerging-market borrowers, Banco do Brasil issued $200m of three-year bonds yielding 400 basis points over US Treasuries.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
MMCCT No 2(a)‡	609	(a1)	100.00R	Feb 2003	0.35R	-	Goldman Sachs & Co
Banco do Brasil (Gd Cayman)	200	9.25#	99.67	Mar 1999	undisc!	+400(5⅝%-99)	BB Securities
Spintab(b)‡	200	(b1)	99.925R	Feb 1998	0.35R	-	PaineWebber Intl (UK)
Cib Investments	50	8.375#	100.562R	Mar 1997	0.50R	+27(T-bill)	Citibank International
D-MARKS							
Kingdom of Denmark(a)	300	5.00	100.00R	Dec 1999	0.1875R	5⅝(7¼%-99)	Paribas/Daiwa Europe
Rabobank Nederland	250	4.50	99.68R	Mar 1999	0.1875R	+5(5¾%-99)	SBC Warburg
SWISS FRANCS							
Intec(c)*§	60	0.375#	100.00	Mar 2000	1.50	-	Nikko Bank(Switz)
FRENCH FRANCS							
DSL Finance(f)	1.5bn	6.75	99.336R	Apr 2006	0.325R	+10(7¼%-06)	CDC/Société Générale

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. *Unlisted. §Convertible. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) MBNA Master Credit Card Trust. a1) 1-mth Libor +21bp. b) Fungible with $100m. Plus 15 days accrued. b1) 3-mth Libor flat. c) Fixing: 28/2/96. Call and put options. Conversion price revision clause. f) Long 1st coupon. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	108.7190	–2.410	8.86	7.99	8.19
Austria		6.125	02/06	96.6200	+0.100	6.60	6.40	6.24
Belgium		7.000	05/06	101.0700	+0.250	6.85	6.61	6.46
Canada *		8.750	12/05	108.5700	–0.810	7.49	6.99	7.18
Denmark		8.000	03/06	102.3200	–0.280	7.66	7.29	7.04
France	BTAN	7.000	10/00	104.7500	+0.120	5.78	5.59	5.56
	OAT	7.250	04/06	103.8700	+0.570	6.71	6.57	6.51
Germany Bund		6.000	01/06	97.6000	+0.390	6.33	6.14	5.81
Ireland		8.000	08/06	101.3500	+0.820	7.79	7.53	7.41
Italy		10.500	09/05	99.3800	+0.770	10.60†	10.22	10.33
Japan	No 129	6.400	03/00	116.1760	–0.340	2.06	1.90	1.76
	No 174	4.600	09/04	109.7750	–0.520	3.15	2.98	2.99
Netherlands		6.000	01/06	97.3200	+0.380	6.37	6.17	5.88
Portugal		11.875	02/05	113.2000	–0.820	9.61	9.48	9.59
Spain		10.150	01/06	101.2800	–0.120	9.94	9.67	9.49
Sweden		6.000	02/05	82.0710	–0.050	9.00	8.79	8.21
UK Gilts		8.000	12/00	103–15	+9/32	7.10	6.94	6.84
		7.500	12/06	97–23	+18/32	7.80	7.69	7.48
		9.000	10/08	108–12	+25/32	7.94	7.87	7.61
US Treasury *		5.625	02/06	97–22	–11/32	5.94	5.60	5.76
		6.000	02/26	95–13	–16/32	6.34	6.05	6.17
ECU (French Govt)		7.500	04/05	101.4800	–0.220	7.27	6.94	6.82

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	4.95	Two year	5.24
Prime rate	8¼	Two month	4.95	Three year	5.32
Broker loan rate	7	Three month	4.99	Five year	5.57
Fed.funds	5⅟₁₆	Six month	5.06	10-year	6.01
Fed.funds at intervention	-	One year	5.10	30-year	6.39

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	119.82	120.10	–0.04	120.28	119.82	187,881	153,072
Jun	119.58	120.12	-	120.24	119.56	5,127	21,582
Sep	118.42	119.00	+0.02	118.54	118.42	152	2,348

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
119	1.25	2.20	-	0.17	1.17	-
120	0.58	1.69	-	0.43	1.53	-
121	0.17	1.14	-	1.02	2.06	-
122	0.04	0.75	-	1.95	2.66	-
123	0.02	0.47	-	2.87	-	-

Est. vol. total, Calls 42,887 Puts 35,854. Previous day's open int., Calls 205,575 Puts 215,783.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	97.50	97.00	–0.52	97.63	96.65	110575	233702
Jun	96.70	96.15	–0.30	96.76	95.83	10910	41793

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Mar	CALLS Apr	CALLS May	CALLS Jun	PUTS Mar	PUTS Apr	PUTS May	PUTS Jun
9700	0.25	0.41	0.63	0.82	0.25	1.26	1.48	1.67
9750	0.08	0.27	0.45	0.63	0.58	1.62	1.80	1.98
9800	0.02	0.16	0.31	0.47	1.02	2.01	2.16	2.32

Est. vol. total, Calls 45094 Puts 35975. Previous day's open int., Calls 345090 Puts 264028

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	107.67	107.48	+0.12	108.00	106.95	64734	55040
Jun	107.30	107.15	+0.11	107.30	106.80	954	7848

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Mar	CALLS Jun	PUTS Mar	PUTS Jun
10700	0.64	2.29	0.15	2.13
10750	0.38	2.01	0.34	2.36
10800	0.13	1.76	0.65	2.61

Est. vol. total, Calls 5409 Puts 3896. Previous day's open int., Calls 98391 Puts 93108

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	93.60	95.37	+0.97	95.39	93.55	95,995	45,505
Jun	94.25	94.93	+0.86	94.70	94.25	1,576	3,113

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	107-24	107-09	-0-09	107-30	106-21	111673	133060
Jun	107-06	106-17	-0-11	107-06	106-06	2163	6819

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Mar	CALLS Apr	CALLS May	CALLS Jun	PUTS Mar	PUTS Apr	PUTS May	PUTS Jun
107	0-26	0-50	1-13	1-33	0-11	1-16	1-43	1-63
108	0-04	0-27	0-51	1-05	0-50	1-57	2-17	2-35
109	0-02	0-13	0-32	0-48	1-48	2-43	2-62	3-14

Est. vol. total, Calls 1934 Puts 7682. Previous day's open int., Calls 52200 Puts 35849

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	88.40	88.86	–0.14	89.00	88.40	1,529	7,567

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	116-03	115-28	–0-06	116-15	115-16	472,461	318,094
Jun	115-19	115-13	–0-06	116-00	115-00	23,442	90,693
Sep	114-30	115-03	–	115-12	114-19	2,892	7,447

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	119.03			119.13	118.90	3706	0
Jun	117.54			117.64	117.42	5360	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price indices UK Gilts	Wed Feb 21	Day's change %	Tue Feb 20	Accrued interest	xd adj. ytd
1 Up to 5 years (22)	122.58	–0.21	122.71	2.33	1.18
2 5–15 years (21)	148.10	+0.54	147.30	2.79	0.78
3 Over 15 years (8)	162.14	+1.18	160.28	2.02	2.41
4 Irredeemables (6)	185.18	+0.78	183.76	3.32	0.00
5 All stocks (57)	142.99	+0.54	142.38	2.54	1.21
Index-linked					
6 Up to 5 years (1)	197.20	+0.04	197.12	2.86	0.00
7 Over 5 years (11)	185.91	+0.32	185.20	0.94	0.83
8 All stocks (12)	186.04	–0.35	186.34	0.96	0.82

	Low coupon yield Feb 21	Feb 20	Yr. ago	Medium coupon yield Feb 21	Feb 20	Yr. ago	High coupon yield Feb 21	Feb 20	Yr. ago
5 yrs	7.20	7.28	8.63	7.25	7.33	8.65	7.32	7.40	8.61
15 yrs	8.02	8.11	8.54	8.02	8.15	8.68	8.11	8.22	8.86
20 yrs	8.13	8.22	8.51	8.06	8.20	8.66	8.18	8.29	8.76
Irred.†	8.22	8.29	8.60						

	Inflation 5% Feb 21	Feb 20	Yr. ago	Inflation 10% Feb 21	Feb 20	Yr. ago
Up to 5 yrs	2.89	2.80	3.72	1.28	1.25	2.33
Over 5 yrs	3.68	3.69	3.89	3.45	3.48	3.69

Average gross redemption yields are shown above. Coupon Bands: Low: 0%–7¾%; Medium: 8%–10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Feb 21	Feb 20	Feb 19	Feb 16	Feb 15	Yr ago	High*	Low*
Govt. Secs. (UK)	93.68	92.27	93.47	94.31	94.32	90.86	96.34	90.22
Fixed interest	112.27	112.27	112.29	112.73	112.72	109.68	115.23	108.77

*for 1995/96. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Feb 20	Feb 19	Feb 16	Feb 15	Feb 14
Gilt Edged bargains	100.1	95.7	86.1	102.2	102.8
5-day average	97.2	96.4	98.6	101.2	100.5

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on February 21

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	101⅛	101½	-⅛	6.30
ABN Amro Bank 7¼ 05	1000	105⅝	105⅜	-½	6.81
African Dev Bk 7⅝ 23	500	102⅝	103¼	-⅝	7.18
Alberta Province 7⅝ 98	1000	105¼	105½	-⅛	6.47
Sweden 8 97	2500	105¼	105⅝	-⅛	4.11
United Kingdom 7¼ 97	5500	105	105¼	-⅛	3.98
Volkswagen Intl Fin 7 03	1000	102¼	102⅝		6.59
World Bank 0 15	2000	30¼	30⅝	+1⅛	6.21
World Bank 6⅝ 00	3000	98	98⅛		6.20
Abbey Natl Treasury 8 03 £	1000	99½	99¾	+⅛	8.09
Alliance Leics 11⅝ 97 £	100	105⅝	105⅞	+⅛	6.87
British Land 8⅞ 23 £	150	90⅞	91½	+1⅛	10.08
Denmark 6⅜ 98 £	800	98⅝	98¾	+⅛	6.69
[illegible]					

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate ([illegible]) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

[illegible]

• "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for June 1995: 149.8 and for January 1996: 150.2.

CURRENCIES AND MONEY

MARKETS REPORT

Bank of Japan intervention props up US dollar

By Philip Gawith

The dollar traded steadily yesterday in Europe after further support from the Bank of Japan during Asian trading stemmed losses suffered in New York when the dollar fell in tandem with weaker US asset markets.

The dollar's performance was helped by the steadier tone of international bond markets following the jittery trading on Tuesday. It closed in London at DM1.4513, from DM1.4533 and at Y105.15, from Y106.11.

Peripheral, or "high-yielding", European currencies bounced back yesterday after their recent losses. Good news on inflation in Italy and Sweden helped the lira and the krona. The lira finished at L1,084 against the D-Mark, from L1,092, while the krona closed at SKr4.668 from SKr4.715.

Sterling started the day weaker, dragged lower by the dollar's fall in New York. It then traded fairly steadily, finishing the day at DM2.2415 from DM2.2444. Against the dollar it closed at $1.5445 from $1.5444.

The South African rand continued its slide. It closed at R3.965 against the dollar, from R3.87, before slipping through the R4.00 level, for the first time. It hit a low of R4.03, before recovering to trade around R3.94 in New York.

The Reserve Bank reiterated that it was not targetting the rand – the market would have to establish a new equilibrium level. It said plans to relax exchange controls remained on schedule.

■ European markets started the day with three main facts to digest: the dollar's weakness in New York, the subsequent renewed support by the Bank of Japan, and Mr Buchanan's victory in the Republican New Hampshire primary.

Although the BOJ's presence has made traders wary of trying to drive the dollar lower, there is some scepticism about the success they are likely to achieve. Mr David Cocker, economist at Chemical Bank in London, said: "The market (remains) wary of funds unwinding bond positions taken against cheap yen loans, and the repatriation of funds by Japanese institutions ahead of March 31."

He predicted more dollar weakness over the month ahead, but said the longer term dollar appreciation "should be maintained".

The charts also favour the dollar. Mr Brian Marber, an independent technical analyst, said that contrary to the opinions of some others, "the dollar is *not* shaky. It is moving and shaking....UP!" He said that on Tuesday, the dollar "did everything it had to to re-confirm that all trends are up."

Against the D-Mark, Mr Marber said the dollar might be vulnerable if it finished below DM1.4420.

As for Mr Buchanan, Mr Avinash Persaud, currency strategist at JP Morgan in London, said markets were showing some concern not that he would be elected, "but that his agenda might be elected, that it might start to effect other Republican candidates and the White House."

Were the White House to embrace some of Mr Buchanan's economic nationalism, this would raise questions about the extent of its commitment to a stronger dollar. Large sectors of US industry, especially exporters, favour a weaker dollar.

A closely watched release was the Ifo survey of business conditions in Germany, which showed signs of weakness in the economy. Mr Persaud said he doubted whether it would be sufficient to wholly arrest the market's more cautious view about lower interest rates. The Bundesbank also focuses on money supply trends, rather than on developments in the real economy.

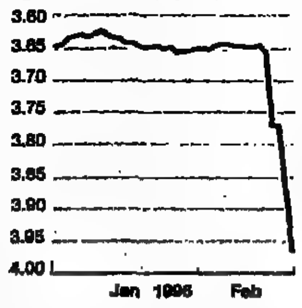
■ Short sterling futures had a more positive day yesterday, helped by the weak retail sales figures, and the release of the latest monthly monetary minutes, which showed the Bank of England taking a fairly relaxed view on inflation.

Mr Philip Shaw, economist at Union Discount in London, said the cash market, where three month money remains below the base rate, is providing a more accurate assessment of UK interest rate prospects than the futures.

He said the outcome of the bi-monthly repo auction had raised £16½bn in the two week facility, and only £2½bn in the four week facility. The discrepancy, he said, "tells you that money market sentiment is still expecting a rate cut in the next few weeks."

Rand

Against the dollar (R per $)



Source: FT Extel

■ Pound in New York

Feb 21	Latest	Prev. close
£ spot	1.5435	1.5455
1 mth	1.5422	1.5442
3 mth	1.5401	1.5421
1 yr	1.5282	1.5301

■ OTHER CURRENCIES

Feb 21	£	$
Czech Kr	41.5676 - 41.6088	26.9220 - 26.9320
Hungary	218.167 - 218.386	141.300 - 141.350
Iran	4635.00 - 4632.00	3000.00 - 3000.00
Kuwait	0.4601 - 0.4612	0.2980 - 0.2985
Poland	3.9187 - 3.9299	2.5380 - 2.5430
Russia	7395.92 - 7395.76	4787.00 - 4790.00
U.A.E.	5.6702 - 5.6746	3.6724 - 3.6729

POUND SPOT FORWARD AGAINST THE POUND

Feb 21		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.7672	-0.0188	584 - 760	15.8188	15.7199	15.7372	2.3	15.6547	2.9	-	-	106.5
Belgium	(BFr)	46.1188	-0.0573	730 - 646	46.2620	45.9110	46.0038	3.0	45.7838	2.9	44.8838	2.7	108.6
Denmark	(DKr)	8.6693	-0.0169	642 - 744	8.6840	8.6414	8.6569	1.7	8.6311	1.8	8.5311	1.6	109.7
Finland	(FM)	6.9658	-0.0464	577 - 738	7.0070	6.9570	6.9614	0.8	6.9533	0.7	-	-	84.0
France	(FFr)	7.7252	-0.0088	215 - 289	7.7383	7.7019	7.7127	1.9	7.6859	1.5	7.617	1.4	109.6
Germany	(DM)	2.2415	-0.0029	403 - 427	2.2455	2.2294	2.2362	[illegible]	2.227	2.6	2.1846	2.5	111.2
Greece	(Dr)	370.456	-1.424	205 - 707	372.191	369.357	-	-	-	-	-	-	66.2
Ireland	(I£)	0.9712	+0.0002	703 - 721	0.9730	0.9702	0.9702	1.2	0.9686	1.1	0.9631	0.8	97.8
Italy	(L)	2429.85	-20.23	848 - 093	2449.96	2424.29	2437.4	[illegible]	2452	-3.7	2509.5	-3.3	72.6
Luxembourg	(LFr)	46.1188	-0.0573	730 - 646	46.2620	45.9110	46.0036	2.9	45.7838	2.9	44.8838	2.7	108.6
Netherlands	(Fl)	2.5110	-0.0026	098 - 123	2.5165	2.4965	2.5049	[illegible]	2.4914	[illegible]	2.4402	2.8	109.0
Norway	(NKr)	9.8051	-0.0153	971 - 151	9.8334	9.7640	9.7984	0.8	9.7853	0.9	9.728	0.8	99.2
Portugal	(Es)	233.706	-0.425	561 - 851	234.191	232.787	234.131	-2.2	235.036	-2.3	-	-	95.0
Spain	(Pta)	188.923	-0.364	800 - 046	189.318	188.367	189.368	-2.8	190.188	-2.7	193.413	-2.4	82.4
Sweden	(SKr)	10.4638	-0.1167	527 - 749	10.5866	10.4198	10.4656	-0.2	10.4689	-0.2	10.4795	-0.2	86.2
Switzerland	(SFr)	1.8295	+0.0014	281 - 308	1.8316	1.8180	1.8237	[illegible]	1.8096	[illegible]	1.7598	[illegible]	114.2
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	83.7
Ecu	-	1.2307	-0.0026	201 - 212	1.2233	1.2177	1.2182	1.4	1.2161	1.5	1.2032	1.4	-
SDR†	-	1.04983	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5443	+0.0008	437 - 448	1.5474	1.5397	-	-	-	-	-	-	-
Brazil	(R$)	1.5175	-0.0026	154 - 195	1.5229	1.5150	-	-	-	-	-	-	-
Canada	(C$)	2.1327	+0.0011	316 - 338	2.1370	2.1244	2.1311	0.9	2.126	0.9	2.1165	0.8	83.1
Mexico	(New Peso)	11.6378	-0.0646	263 - 493	11.6605	11.6260	-	-	-	-	-	-	-
USA	($)	1.5445	+0.0001	440 - 450	1.5477	1.5399	1.5432	1.0	1.5413	0.8	1.529	1.0	85.3
Pacific/Middle East/Africa													
Australia	(A$)	2.0581	+0.0132	567 - 595	2.0595	2.0469	2.06	-1.1	2.064	-1.2	2.0829	-1.2	87.3
Hong Kong	(HK$)	11.9448	+0.0017	399 - 492	11.9684	11.9093	11.9367	0.8	11.9235	0.7	11.8719	0.6	-
India	(Rs)	56.4979	+0.0596	023 - 934	56.5870	56.4010	-	-	-	-	-	-	-
Israel	(Shk)	4.7880	+0.0219	819 - 941	4.7948	4.7575	-	-	-	-	-	-	-
Japan	(Y)	162.404	-1.467	274 - 534	163.700	161.790	161.639	5.7	160.159	5.6	154.169	5.1	137.6
Malaysia	(M$)	3.9418	+0.0047	394 - 441	3.9451	3.9291	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2839	+0.0049	823 - 855	2.2866	2.2796	2.2875	-1.9	2.295	-1.9	2.3245	-1.8	105.8
Philippines	(Peso)	40.4196	+0.0194	293 - 099	40.5100	40.3259	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7927	+0.0005	905 - 948	5.8043	5.7797	-	-	-	-	-	-	-
Singapore	(S$)	2.1654	+0.001	639 - 669	2.1697	2.1612	-	-	-	-	-	-	-
South Africa	(R)	6.1240	+0.1436	065 - 414	6.2191	5.9695	-	-	-	-	-	-	-
South Korea	(Won)	1203.63	-0.73	308 - 417	1206.04	1200.20	-	-	-	-	-	-	-
Taiwan	(T$)	42.4466	+0.0042	307 - 626	42.5323	42.3226	-	-	-	-	-	-	-
Thailand	(Bt)	38.9446	+0.0115	088 - 804	39.0080	38.8520	-	-	-	-	-	-	-

† Rates for Feb 20 Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 21		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	10.2085	-0.0132	062 - 110	10.2350	10.1565	10.1928	1.9	10.1586	2.0	10.0386	1.7	108.6
Belgium	(BFr)	29.8600	-0.04	400 - 800	29.9230	29.7100	29.81	2.0	29.71	2.0	29.365	1.7	108.5
Denmark	(DKr)	5.6130	-0.0115	115 - 145	5.6252	5.5930	5.6088	0.9	5.6005	0.9	5.6205	-0.1	109.0
Finland	(FM)	4.5101	-0.0305	063 - 139	4.5385	4.5063	4.5056	1.2	4.4971	1.2	4.4808	0.7	83.7
France	(FFr)	5.0016	-0.0061	010 - 025	5.0190	4.9840	4.998	0.9	4.9928	0.7	4.9828	0.4	109.3
Germany	(DM)	1.4513	-0.002	510 - 515	1.4550	1.4423	1.4493	1.7	1.4448	1.8	1.4311	1.4	110.7
Greece	(Dr)	[illegible]	-0.945	770 - 940	241.150	239.680	241.38	-7.6	244.49	-7.7	259.185	-8.0	65.8
Ireland	(I£)	1.5903	-0.0002	893 - 913	1.5926	1.5855	1.5908	-0.3	1.5912	-0.2	1.5842	0.4	-
Italy	(L)	1573.10	-13.25	285 - 335	1583.99	1571.33	1579.45	-4.8	1591.2	-4.6	1642.1	-4.4	71.7
Luxembourg	(LFr)	29.8600	-0.04	400 - 800	29.9230	29.7100	29.808	2.1	29.72	1.9	29.415	1.5	108.5
Netherlands	(Fl)	1.6258	-0.0018	254 - 261	1.6293	1.6173	1.6227	2.3	1.6162	2.3	1.594	2.0	108.4
Norway	(NKr)	6.3491	-0.0105	453 - 528	6.3895	6.3156	6.3468	0.4	6.3386	0.7	6.3216	0.4	98.5
Portugal	(Es)	151.315	-0.29	270 - 360	151.780	150.100	151.69	-3.0	152.46	-3.0	156.065	-3.1	95.4
Spain	(Pta)	122.320	-0.28	280 - 360	122.630	121.960	122.715	-3.9	123.45	-3.7	126.94	-3.8	82.2
Sweden	(SKr)	6.7749	-0.0782	699 - 799	6.8440	6.7555	6.7919	-3.0	6.8214	-2.7	6.9589	-2.7	84.9
Switzerland	(SFr)	1.1845	+0.0008	840 - 850	1.1870	1.1765	1.1809	3.6	1.1741	3.5	1.1502	2.9	113.8
UK	(£)	1.5445	+0.0001	440 - 450	1.5477	1.5399	1.5432	1.0	1.5413	0.8	1.529	1.0	83.4
Ecu	-	1.2554	+0.0028	552 - 555	1.2594	1.2521	1.2567	-0.3	1.2561	-0.2	1.2567	-0.1	-
SDR†	-	0.67969	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	+0.0004	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	0.9825	-0.0018	815 - 835	0.9840	0.9815	-	-	-	-	-	-	-
Canada	(C$)	1.3809	+0.0006	806 - 811	1.3830	1.3795	1.3811	-0.1	1.3812	-0.1	1.3862	-0.4	82.4
Mexico	(New Peso)	7.5550	-0.0425	300 - 400	7.5400	7.5300	7.5373	-0.4	7.5404	-0.3	7.5453	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.5
Pacific/Middle East/Africa													
Australia	(A$)	1.3324	+0.0084	321 - 330	1.3335	1.3292	1.3344	-1.8	1.3379	-1.7	1.3566	-1.8	89.2
Hong Kong	(HK$)	7.7336	+0.0003	331 - 341	7.7345	7.7326	7.7343	-0.1	7.7361	-0.1	7.7631	-0.4	-
India	(Rs)	36.5800	+0.035	300 - 300	36.6400	36.5200	36.73	-4.9	37.035	-5.0	38.505	-5.3	-
Israel	(Shk)	3.1001	+0.0139	971 - 030	3.1053	3.0904	-	-	-	-	-	-	-
Japan	(Y)	105.150	-0.96	100 - 200	106.000	104.800	104.715	5.0	103.915	4.7	100.845	4.1	137.1
Malaysia	(M$)	2.5518	+0.0028	508 - 528	2.5535	2.5490	2.5527	-0.4	2.5588	-1.1	2.5823	-1.2	-
New Zealand	(NZ$)	1.4786	+0.003	782 - 798	1.4804	1.4776	1.4817	-2.5	1.4875	-2.4	1.5121	-2.3	-
Philippines	(Peso)	26.1700	+0.01	200 - 200	26.2200	26.1200	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-0.0001	503 - 507	3.7507	3.7502	3.751	-0.1	3.7517	-0.1	3.755	-0.1	-
Singapore	(S$)	1.4020	+0.0005	015 - 025	1.4030	1.4010	1.3984	3.0	1.3924	2.7	1.367	2.5	-
South Africa	(R)	3.9650	+0.0925	550 - 750	4.0300	3.8850	3.9937	-8.7	4.0463	-8.1	4.2685	-7.7	-
South Korea	(Won)	779.300	-0.55	200 - 400	779.600	778.900	782.3	-4.6	785.8	-3.3	804.3	-3.2	-
Taiwan	(T$)	27.4825	-	810 - 840	27.4850	27.4800	27.5025	-0.9	27.5425	-0.9	-	-	-
Thailand	(Bt)	25.2150	+0.005	000 - 300	25.2300	25.1980	25.3137	-4.7	25.5175	-4.8	26.4	-4.7	-

† SDR rate per $ for Feb 20. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Feb 20: Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

February 21	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	3.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	3.00	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.90	-	5.60
week ago	[illegible]	[illegible]	[illegible]	4½	[illegible]	3.90	-	5.60
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	3.00	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	3.00	3.30
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
Italy	[illegible]	[illegible]	[illegible]	10	[illegible]	-	9.00	9.72
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	9.72
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	1.50	-
week ago	1	[illegible]	[illegible]	[illegible]	[illegible]	5.00	1.50	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	½	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	5	-	-	-
US Dollar CDs	-	5.05	4.98	5.00	5.01	-	-	-
week ago	-	5.05	4.95	4.85	4.72	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Feb 21	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	4½ - 4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	6 - [illegible]	[illegible]	9 - [illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible] - 10	[illegible]	[illegible]	10 - [illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible] - 2	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.13	95.24	-0.07	95.29	95.10	39,098	49,295
Jun	95.22	95.28	-0.12	95.36	95.18	24,868	57,567
Sep	95.23	95.26	-0.11	95.36	95.21	12,444	47,693

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.67	96.58	-0.08	96.68	96.58	49792	173252
Jun	96.68	96.60	-0.07	96.71	96.58	89578	175328
Sep	96.50	96.41	-0.08	96.54	96.33	73439	181777
Dec	96.23	96.09	-0.10	96.25	96.00	74805	154822

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	89.74	89.79	+0.11	89.83	89.66	10433	39956
Jun	90.18	90.20	+0.10	90.24	90.05	9882	30857
Sep	90.56	90.57	+0.06	90.60	90.46	3087	20017
Dec	90.71	90.68	+0.06	90.71	90.58	1253	11654

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.21	98.14	-0.06	98.21	98.10	4705	22908
Jun	98.10	98.02	-0.05	98.10	97.95	9488	23396
Sep	97.92	97.83	-0.08	97.92	97.76	4047	12277
Dec	97.62	97.53	-0.08	97.62	97.47	1402	8559

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.35	95.21	-0.09	95.35	95.20	2163	8350
Jun	95.43	95.31	-0.10	95.43	95.28	792	4412
Sep	95.40	95.24	-0.11	95.40	95.17	844	3168
Dec	95.21	95.05	-0.13	95.21	94.94	681	3167

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
8975	0.24	0.80	1.23	0.20	0.35	0.41
9000	0.13	0.64	1.04	0.34	0.44	0.47
9025	0.07	0.48	0.87	0.53	0.59	0.55

Est. vol. total, Calls 330 Puts 0. Previous day's open int., Calls 24613 Puts 20075

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb 21		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.80	16.75	4.861	2.105	5269	5.444	21.26	506.7	409.6	22.68	3.968	2.168	4.625	3.350	352.1	2.647
Denmark	(DKr)	53.20	10	8.911	2.586	1.120	2803	2.897	11.31	269.6	217.9	12.07	2.110	1.154	2.460	1.782	187.3	1.408
France	(FFr)	59.70	11.22	10	2.902	1.257	3146	3.250	12.69	302.5	244.5	13.54	2.368	1.294	2.761	2.000	210.2	1.581
Germany	(DM)	20.57	3.867	3.446	1	0.433	1084	1.120	4.374	104.2	84.26	4.666	0.816	0.446	0.951	0.689	72.44	0.545
Ireland	(I£)	47.50	8.928	7.956	2.309	1	2503	2.586	10.10	240.7	194.5	10.77	1.884	1.030	2.197	1.591	167.3	1.257
Italy	(L)	[illegible]	0.357	0.318	0.092	0.040	100.	0.103	0.404	9.617	7.774	0.430	0.075	0.041	0.088	0.064	6.683	0.050
Netherlands	(Fl)	18.37	3.452	3.076	0.893	0.387	967.7	1	3.905	93.07	75.23	4.166	0.728	0.398	0.849	0.615	64.68	0.486
Norway	(NKr)	47.03	8.841	7.878	2.286	0.990	2478	2.561	10	238.3	192.6	10.67	1.865	1.020	2.175	1.576	165.6	1.245
Portugal	(Es)	19.73	3.709	3.306	0.959	0.415	1040	1.074	4.196	100.	80.83	4.476	0.783	0.428	0.913	0.661	69.49	0.522
Spain	(Pta)	24.42	4.589	4.089	1.187	0.514	1286	1.329	5.191	123.7	100.	5.537	0.968	0.529	1.129	0.818	85.97	0.646
Sweden	(SKr)	44.09	8.288	7.385	2.143	0.928	2323	2.401	9.375	223.4	180.6	10	1.749	0.956	2.039	1.477	155.3	1.167
Switzerland	(SFr)	25.22	4.740	4.224	1.226	0.531	1328	1.373	5.361	127.8	103.3	5.719	1	0.547	1.166	0.845	88.79	0.668
UK	(£)	46.12	8.669	7.725	2.242	0.971	2430	2.511	9.806	233.7	188.9	10.46	1.829	1	2.133	1.545	162.4	1.221
Canada	(C$)	21.62	4.064	3.622	1.051	0.455	1139	1.177	4.597	109.6	88.56	4.904	0.857	0.469	1	0.724	76.14	0.572
US	($)	29.85	5.611	5.000	1.451	0.628	1573	1.625	6.347	151.3	122.3	6.770	1.184	0.647	1.381	1	105.1	0.790
Japan	(Y)	28.40	5.338	4.757	1.381	0.598	1496	1.546	6.038	143.9	116.3	6.441	1.126	0.616	1.313	0.951	100.	0.752
Ecu		37.77	7.100	6.327	1.836	0.795	1990	2.057	8.031	191.4	154.7	8.567	1.498	0.819	1.747	1.265	133.0	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6913	0.6897	-0.0019	0.6935	0.6885	32,258	68,818
Jun	0.6950	0.6925	-0.0022	0.6958	0.6915	968	4,568
Sep	0.6942	0.6942	-0.0032	0.6947	0.6942	141	1,811

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.9499	0.9546	+0.0052	0.9577	0.9468	27,047	73,239
Jun	0.9618	0.9644	+0.0044	0.9650	0.9618	729	6,360
Sep	0.9716	0.9720	+0.0021	0.9725	0.9716	281	811

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8503	0.8470	-0.0033	0.8525	0.8448	19,585	39,844
Jun	0.8528	0.8540	-0.0033	0.8540	0.8523	576	2,284
Sep	-	0.8600	-0.0038	-	0.8600	64	239

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5440	1.5440	+0.0002	1.5482	1.5386	10,923	42,974
Jun	1.5370	1.5400	-0.0002	1.5410	1.5360	573	10,457
Sep	-	1.5360	+0.0002	1.5360	1.5320	5	9

UK INTEREST RATES

LONDON MONEY RATES

Feb 21	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible] - 6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	7 - [illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 6¼ per cent from January 18, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. Ave. tender rate of discount 5.9157pc. ECGD fixed rate Stlg. Export Finance. Make up day Jan 31, 1996. Agreed rate for period Feb 26, 1996 to Mar 25, 1996, Schemes II & III 7.69pc. Reference rate for period Dec 30, 1995 to Jan 31, 1996, Schemes IV & V 6.440pc. Finance House Base Rate 6.5pc from February 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.88	93.82	-0.03	93.88	93.78	26935	71954
Jun	94.09	93.87	-0.18	94.10	93.77	113701	80192
Sep	94.09	93.77	-0.28	94.10	93.67	87907	65506
Dec	93.86	93.55	-0.28	93.87	93.44	38036	48950
Mar	93.55	93.28	-0.23	93.55	93.14	7601	33388

Also traded on APT. All Open interest figs. are for previous day

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9375	0.13	0.28	0.35	0.06	0.16	0.33
9400	0.02	0.15	0.24	0.20	0.28	0.47
9425	0	0.07	0.15	0.43	0.45	0.63

Est. vol. total, Calls 6890 Puts 7978. Previous day's open int., Calls 150810 Puts 151941

EMS EUROPEAN CURRENCY UNIT RATES

Feb 21	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	158.895	-0.047	-2.21	5.50	15
Netherlands	2.15214	2.11121	+0.00138	-1.90	5.17	14
Belgium	39.3960	38.7842	+0.0321	-1.55	4.80	11
Austria	13.4383	13.2618	+0.0101	-1.32	4.56	10
Germany	1.91007	1.88533	+0.00137	-1.30	4.52	18
Denmark	7.28580	7.29160	-0.00123	0.08	3.09	-1
Portugal	195.792	196.672	+0.072	0.45	2.71	-3
France	6.40608	6.49784	+0.00595	1.43	1.71	-12
Ireland	0.792214	0.817318	+0.001045	3.17	0.00	-21
NON ERM MEMBERS						
Greece	292.867	311.392	-0.616	6.51	-3.14	-
Italy	2106.15	2040.97	-18.72	-3.09	6.46	-
UK	0.786652	0.841519	+0.000932	6.97	-3.56	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	PUTS Feb	PUTS Mar	PUTS Apr
1.490	-	-	-	0.05	-	-
1.500	[illegible]	4.54	4.94	0.08	0.35	0.74
1.510	-	3.72	4.20	0.15	0.53	1.00
1.520	2.52	[illegible]	3.52	0.28	0.78	1.33
1.530	1.79	2.34	2.91	0.41	1.11	1.71
1.540	1.15	1.76	2.41	0.77	1.44	2.10

Previous day's vol., Calls N/A Puts N/A. Prev. day's open int., Calls N/A Puts N/A

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.66	94.72	+0.05	94.74	94.65	96,059	369,219
Jun	94.83	94.85	-	94.93	94.79	216,781	446,333
Sep	94.88	94.91	-	94.98	94.85	214,777	341,013

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	95.18	95.21	+0.03	95.23	95.50	2,589	7,848
Jun	95.28	95.27	+0.02	95.33	95.24	832	7,992
Sep	-	95.31	-0.01	95.39	95.67	108	1,283

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Mar	CALLS Apr	CALLS May	CALLS Jun	PUTS Mar	PUTS Apr	PUTS May	PUTS Jun
9650	0.10	0.16	0.18	0.21	0.02	0.06	0.08	0.11
9675	0.02	0.04	0.06	0.09	0.19	0.19	0.21	0.24
9700	0.01	0.01	0.02	0.03	0.43	0.41	0.42	0.43

Est. vol. total, Calls 32367 Puts 22006. Previous day's open int., Calls 353383 Puts 300757

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9800	0.20	0.23	0.24	0.05	0.21	0.41
9825	0.07	0.11	0.16	0.18	0.34	0.58
9850	0.01	0.05	0.08	0.37	0.53	0.73

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 9355 Puts 4272

BASE LENDING RATES

	%		%		%
Adam & Company	6.25	Duncan Lawrie	6.25	Royal Bk of Scotland	6.25
Allied Trust Bank	6.25	Exeter Bank Limited	7.25	●Singer & Friedlander	6.25
AIB Bank	6.25	Financial & Gen Bank	7.00	●Smith & Williamson Secs.	6.25
●Henry Ansbacher	6.25	●Robert Fleming & Co	6.25	TSB	6.25
Bank of Baroda	6.25	Girobank	6.25	United Bank of Kuwait	6.25
Banco Bilbao Vizcaya	6.25	●Guinness Mahon	6.25	Unity Trust Bank Plc	6.25
Bank of Cyprus	6.25	Habib Bank AG Zurich	6.25	Western Trust	6.25
Bank of Ireland	6.25	●Hambros Bank	6.25	Whiteaway Laidlaw	6.25
Bank of India	6.25	Heritable & Gen Inv Bk	6.25	Yorkshire Bank	6.25
Bank of Scotland	6.25	●Hill Samuel	6.25		
Barclays Bank	6.25	C. Hoare & Co	6.25		
Brit Bk of Mid East	6.25	Hongkong & Shanghai	6.25		
●Brown Shipley & Co Ltd	6.25	Julian Hodge Bank	6.25		
Citibank NA	6.25	●Leopold Joseph & Sons	6.25		
Clydesdale Bank	6.25	Lloyds Bank	6.25		
The Co-operative Bank	6.25	Meghraj Bank Ltd	6.25		
Coutts & Co	6.25	Midland Bank	6.25		
Credit Lyonnais	6.25	* Mount Credit Corp	6.25		
Cyprus Popular Bank	6.25	NatWestminster	6.25		
		●Rea Brothers	6.25		

● Members of London Investment Banking Association
* In administration

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 22.02.96: Pool purchase price £/MWh	Final Prices for Trading on 20.02.96: Pool purchase price £/MWh	Final Prices for Trading on 20.02.96: Pool selling price £/MWh
0030	9.14	12.12	12.70
0100	13.23	13.06	13.63
0130	17.62	18.30	18.88
0200	18.77	18.30	18.88
0230	22.80	16.91	17.50
0300	22.80	19.30	19.88
0330	22.68	18.30	18.88
0400	22.68	13.78	14.36
0430	13.27	12.12	12.70
0500	13.27	12.12	12.70
0530	12.86	15.21	15.80
0600	9.71	12.29	12.87
0630	9.73	12.29	12.87
0700	12.90	24.92	25.54
0730	14.02	25.92	26.71
0800	14.21	36.29	38.54
0830	15.36	41.57	43.75
0900	20.61	47.12	48.42
0930	26.69	48.08	50.54
1000	31.75	49.54	52.08
1030	34.05	48.24	50.71
1100	36.72	47.83	50.22
1130	46.36	48.11	50.56
1200	55.69	48.34	50.81
1230	63.41	44.84	47.15
1300	45.45	32.45	34.62
1330	33.06	31.15	33.06
1400	29.00	30.60	32.64
1430	28.31	29.94	31.59
1500	27.05	29.20	30.79
1530	26.03	28.78	30.13
1600	24.58	14.67	14.67
1630	24.34	49.46	56.65
1700	25.66	193.58	227.04
1730	38.42	309.08	348.55
1800	57.18	321.83	358.19
1830	73.71	201.09	223.49
1900	85.61	101.17	110.86
1930	47.38	60.98	65.58
2000	26.05	48.10	50.17
2030	18.36	26.96	27.93
2100	15.29	25.65	26.40
2130	14.12	24.98	25.60
2200	12.74	22.39	22.98
2230	9.70	23.05	23.63
2300	12.67	16.27	16.85
2330	12.67	16.27	16.85
2400	9.18	9.11	9.11

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0113 245 6789 between 8:30am and 5:15pm Monday to Friday
©Energy Settlements and Information Services Limited

PUBLIC NOTICES

OFFICIAL NOTICE

The loss has been reported to us of the London Metal Exchange warrant No. 105401 covering 27 (twenty seven) bundles High Grade Primary Aluminium Ingots - Brand KPA3 - weight 25,039 Kgs. Nett - stored in warehouse Skandiatransport, Helsingborg.

We have been requested to issue a replacement/duplicate of this warrant. Anyone claiming title to these goods is invited to enter protest by means of a Summons against the delivery of the said material or the issuing of a substitute warrant.

C. SHAW LOVELL & SONS LTD.
Plantation House
31-35 Fenchurch Street
London EC3M 3DX

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

[illegible]

BANKS, MERCHANT

[illegible]

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

BUILDING MATS. & MERCHANTS - Cont.

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

HOUSEHOLD GOODS - Cont.

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

LEISURE & HOTELS - Cont.

OTHER FINANCIAL - Cont.

PROPERTY - Cont.

SUPPORT SERVICES - Cont.

AIM - Cont.

LIFE ASSURANCE

PAPER, PACKAGING & PRINTING

MEDIA

RETAILERS, FOOD

TELECOMMUNICATIONS

AMERICANS

TEXTILES & APPAREL

RETAILERS, GENERAL

PHARMACEUTICALS

CANADIANS

OTHER INVESTMENT TRUSTS

SOUTH AFRICANS

TOBACCO

TRANSPORT

OIL, EXPLORATION & PRODUCTION

INVESTMENT COMPANIES

PHARMACEUTICALS - Cont.

RETAILERS, GENERAL - Cont.

PROPERTY

WATER

OIL, INTEGRATED

SUPPORT SERVICES

AIM

OTHER FINANCIAL

LEISURE & HOTELS

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols relating to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme

a Yield based on annualised dividend b Figures based on prospectus or other official estimates. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings v P/e ratios are calculated under new ACT guidelines. z Dividend yield includes a special payment F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1995. K Yield based on prospectus or other official estimates for 1996 L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1995-96. R Forecast annualised yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion

♣ FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣ . Please quote the code FT2625. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports will be sent the next working day, subject to availability.

Both Annual Reports and FT Company Focus are available from the above number.

FT Company Focus

Comprehensive 10-14 page report available on this company, containing key FT stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements for £6.45.

To order, call 0121 200 4678.

Reports published by ShareFinder Ltd.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 0171 873 4378 for more information on FT Cityline.

For readers phoning from outside UK, please dial +44 in place of the first 0.

The share prices printed on these pages are also available on the internet at www.FT.com.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda
UK Prof Advisers 0800 414181 Jersey 01534 71696
Private Clients 0800 414161 00 352 250404230
From O'seas (44) 1732 777377 Hong Kong (852) 848 1000

Prices for dealing February 21

Jupiter Tyndall (Bermuda) Ltd
PO Box HM1256, Hamilton, Bermuda 001 809 292 2760

Newport Investment Management
73 Front Street, Hamilton, Bermuda

Orion Fund Limited

BERMUDA (REGULATED)(**)

Bermuda Intl Invest Mgmt Ltd

Butterfield Management Co Ltd

GUERNSEY (SIB RECOGNISED)

AIB Investment Managers (Guernsey) Ltd

Lazard Freres Asset Management (CI) Ltd

M & G (Guernsey) Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

Latest Fund Prices 24hr service 01481 718043

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 25A, St Peter Port, Guernsey 01481 710851

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd
Emerging Mkts Liquid Inv Ptfo. | $18.85 | 17.18 | — | -

Apollo Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd

BZW Asset Management Guernsey Ltd
Japan Index Fund | Y2512 | 2537 | — | -

Bachmann Global Investment Fund Ltd

CIBC Fund Managers (Guernsey) Ltd
PCF Sterling Bond @ | £11.89 | 12.20 | — | 13.33

IRELAND (SIB RECOGNISED)

AIB Fund Managers Ltd

The Fiduciary Trust Global Fund

Guinness Flight Select Funds Plc

Hambros Fund Managers (Ireland) Ltd

Henderson Crosthwaite Investment Co

LGT Asset Management Ltd

Morgan Grenfell Investment Funds Ltd

Murray Johnstone (Dublin) Ltd

Prolific International Fund Plc

Royal Bank of Canada Intl Money Market Fd

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

Atlantis Korea Smaller Companies Fund

Bank of Ireland Unit Managers Ltd

Baring International Fd Mgrs (Ireland) Ltd

Berkshire KTC Growth Fund Plc

Berkshire Korea Fund Plc

Chemical Ireland Fund Administrators Ltd

Citibank Trust Mngt Company

Morgan Grenfell Fund Income Funds Plc

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mgrs

Ashburton Global Funds Ltd (1200)

Bank of Ireland Asset Mngmt (IOM) Ltd

INVESCO International Limited

ISLE OF MAN (REGULATED)(**)

AXA Equity & Law Intl Fund Mgrs

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

Barclays International Funds

Coutts & Co (Jersey) Fund Managers Ltd

John Govett (Channel Islands) Ltd (1000)F

Lloyds Bank (CI) U/T Mgrs.

TSB Fund Managers (CI) Ltd

JERSEY (REGULATED)(**)

Barclays Intl Funds

Fleming Group

John Govett Management (Jersey) Ltd

Jupiter Tyndall (Jersey) Ltd

Lloyds Private Banking (CI) Ltd

Lombard Odier (Jersey) Ltd

The Portugal Fund Limited

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

Schroder Mngt Services (Jersey) Ltd

Scrimgeour Kemp-Gee Mngmt, Jersey

Worldinvest (Managers) Jersey Ltd

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (z)

American Phoenix Investment Portfolios (z)

Bank Von Ernst & Cie AG

Eagle Star – Global Assets Fund (z)

Fleming Flagship Fund (z)

Lloyds Bank Luxembourg

LUXEMBOURG (REGULATED)(**)

Asian International Umbrella Fund (z)

Alliance Capital

Americarius Fund SICAV

Banque Scandinave En Suisse

Nikko Capital Management

Nomura Global Fund (z)

Scottish Equitable Intl Fund SICAV (z)

Sun Life Global Management Ltd (z)

Templeton Global Strategy Funds

Thornton Investment Management Ltd

Credit Investment Fonds

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

	Selling Price	Buying Price	+ or -	Yield Gross
Credis Investment Funds - Contd.				
Nikko Asia Convertible Bond Fund				
Nikko Asia Conv Bond NAV	$10.76			
Nikko Bank (Luxembourg) S.A.				
Nomura Asian Infrastructure Fd SICAV				
NAV	$27.83		-0.02	
Pacific Basin Growth Fund				
Pan-Holding SA				
Pictet Group				
Asia Growth	$105.33			
CMI Insurance Co Ltd				
Royal Life International				
Royal Skandia Life Assurance Ltd				
Capital International				
Cathay Investment Fund Limited				
Chescombe Funds Limited				
Chescor Indian Investment Company Ltd				
The China Fund				
The China Invest & Development Fd Ltd				
Citibank Global Asset Mgmt (Asia) Ltd				
Citizens Investment Trust Mgt Co				
City & International Securities Ltd				

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

	Selling Price	Buying Price	+ or -	Yield Gross
Lloyds Bank Fund Managers (Guernsey) Ltd				
NAV Fully Paid Jan 31	$11.12			
Wells Fargo U.S. IT Fund				
Worldwide Limited				
NAV Jan 31	$80.83			
Xiphias International Investment Fd Ltd				
Xiphias Global Growth	$9.77			
Zanett Lombardier Ltd				
NAV Feb 1	$146.69			
Zulauf Investment Management AG				
Zulauf Europe Ltd	DM89.432			
Zweig-DiMenna International Limited				
NAV Jan 31	$140.22			

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. (**) Funds not SIB recognised. The regulatory authorities for these funds are: Bermuda - Bermuda Monetary Authority; Guernsey - Financial Services Commission; Ireland - Central Bank of Ireland; Isle of Man - Financial Supervision Commission; Jersey - Financial Services Department; Luxembourg - Institut Monétaire Luxembourgeois. Initial charge - Charge made on sale of units. Selling price - Bid or redemption price. Buying price - Offer or issue price. Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♠) - 1701 to midnight. E - Exit charge on sale of units. C - Manager's periodic charge deducted from capital. H - Historic pricing F - Forward pricing. h - Distribution free of UK taxes. p - Periodic premium insurance plans. s - Single premium insurance. d - Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities). x - Offered price includes all expenses except agent's commission. z - Previous day's price. GG - Guernsey gross. ◆ - Yield before Jersey tax. † - Ex-subdivision. xd - Ex-dividend. ‡ - Only available to charitable bodies. Φ - Yield column shows annualised rates of NAV increase.

LONDON STOCK EXCHANGE

MARKET REPORT

Rally in bonds restores confidence in equities

By Steve Thompson, UK Stock Market Editor

The gloom that has enveloped global bond and equity markets for the past four trading sessions finally looked to have run its course yesterday.

Bolstered by an early upward spiral on Wall Street – which was sharply extended in later trading – and in bond markets, the FT-SE 100 index closed at the day's high and looked to be set to continue its strong performance this morning.

The Footsie easily recaptured the 3,700 level and finished 11.0 firmer at 3,725.6. The second liners fared less well, however, managing only a 4.1 gain at 4,182.0. Dealers said that most of the day's customer business was concentrated in seeking value in the leaders.

There was an upturn in activity in small company stocks, in the wake of the 50m smaller companies basket warrants issued by BZW late on Tuesday. BZW expects smaller companies to outperform the market. Each basket represents an investment in 60 small companies, including Allders, Avon Rubber, Clyde Petroleum, Graham Group, Persimmon and Stanley Leisure.

London was given an additional push yesterday by the latest economic news, which revealed a large decline in retail sales in January. Sales fell 0.6 per cent, against a consensus forecast of a flat performance, news which dealers said increased the chances of a further UK interest rate cut.

But the main bullish impetus for London came from bond markets, which made rapid progress after an uncertain opening. US Treasury bonds, which dropped 1¾ points in the US overnight, began to stabilise in European trading and then galloped ahead as Wall Street opened, taking the Dow Jones Industrial Average with them. The Dow was some 60 points ahead an hour after London finished.

News of another takeover bid, the increased 500p a share offer for Lloyds Chemists from Germany's Gehe, was a bull point for a market looking for further action on the merger/takeover front. Speculators were busy hunting for the next bid candidates and again settled on Ladbroke, the betting to hotels group, and the insurance sector as the most likely targets.

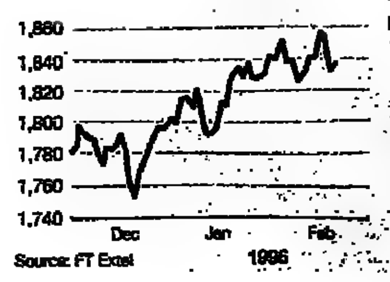
Ladbroke was aggressively bought in the cash and options markets, with traders continuing to take the view that a hostile move for the company would materialise.

One insurance specialist said there was "knowledgeable" buying of London & Manchester, the life company, which has been cutting costs recently. The insurance group's increasing specialisation in pensions is said to have attracted the attention of the big composites.

The Footsie was hit for six at the outset, plummeting 25.9 points as marketmakers took avoiding action in the wake of the big sell-off in the US overnight. But with confidence gradually returning in gilts, the leaders clawed back their early losses and the Footsie eventually moved into positive ground an hour before the close.

Turnover at the 6pm count just crept above the 700m-share mark, settling at 710.3m shares, with non-Footsie stocks accounting for 53 per cent of the total. Retail business on Tuesday was worth £1.64bn.

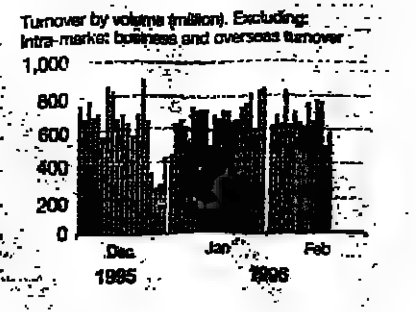
FT-SE-A All-Share index



Source: FT Extel

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3725.6	+11.0	FT Ordinary index	2741.0	+20.5
FT-SE Mid 250	4182.0	+4.1	FT-SE-A Non Fins p/e	17.39	(17.34)
FT-SE-A 350	1860.2	+4.7	FT-SE100 Fut Mar	3721.0	+7.0
FT-SE-A All-Share	1836.15	+4.03	10 yr Gilt yield	7.77	(7.85)
FT-SE-A All-Share yield	3.76	(3.76)	Long gilt/equity yld ratio:	2.18	(2.20)

Best performing sectors

1 Tobacco .... +2.2
2 Telecommunications .... +1.5
3 Insurance .... +1.1
4 Paper, Pckg & Print .... +1.1
5 Utilities .... +0.9

Worst performing sectors

1 Oil Exploration .... -0.7
2 Distributors .... -0.6
3 Leisure & Hotels .... -0.5
4 Banks, Retail .... -0.3
5 Food Producers .... -0.2

Chemists bid war hots up

The bid battle for retailer Lloyds Chemists intensified yesterday as both German group Gehe and its bitter rival in the contested takeover, UniChem, moved to deliver what they thought would prove to be the knockout blow.

Early in the session, Gehe announced that it had raised its cash bid for Lloyds Chemists to 500p a share, topping last week's increased final cash and share offer from UniChem.

But the British bidder was determined not to be outdone and brokers BZW and UBS, *acting for UniChem*, launched a market raid on Lloyds Chemists. The two brokers purchased stock at around 497p a share and by the end of the operation had raised UniChem's holding in Lloyds to just under 10 per cent.

Turnover in Lloyds had risen to 30m by the close as the shares firmed 2 to 491p. Market watchers were surprised at the strength of the UniChem share price, which ended 7 ahead at 249p, although one analyst said: "There are those that see that a Lloyds/UniChem tie-up will be earnings enhancing in a very short time."

One observer of the takeover battle said: "UniChem appears to be determined to win this one, although it is by no means over. The Germans only have to raise their offer slightly to be in with a chance of winning."

Royal Insurance, which reports today, leapt to the top of the Footsie performance charts.

The market took heart from rivals' results within the sector, particularly a lively set of figures from Commercial Union. CU announced £509m profits, against analysts' forecasts of between £456m and £480m, with figures helped by strong earnings in the company's life assurance and French arms.

Mr David Hudson of Credit Lyonnais Laing, who maintained his top of the range current year forecast of £525m, said: "It is the obvious defensive holding in the sector for the next few years."

Royals, forecast to produce profits of between £400m and £425m and a 25 per cent rise in the dividend, jumped 12 to 386p. In percentage terms, it pipped CU's rise of 16 to 614p. GRE gained a penny at 246p.

A late burst of US buying sent Vodafone racing up the Footsie rankings, reversing recent weakness for the shares.

An upbeat presentation in New York sponsored by Goldman Sachs allowed the group to shrug off earlier forecasts of slow mobile phones growth over the next decade. Vodafone was notably optimistic about new subscriber cancellation rates. The shares finished as the second best Footsie performer with a gain of 6 at 227½p in 9.4m traded.

The electricity generators PowerGen and National Power moved ahead 7 to 532p and 8 to 478p respectively as Merrill Lynch turned buyer on the two stocks.

Merrill has taken a close look at the electricity sector and believes the generators are best placed to avoid the effects of a price war and that regulatory worries will not hit shareholder value, because it will be offset by the divestment of the power stations.

SmithKline Beecham shed 3 to 711½p against the trend among the sector leaders as investors reacted to several potentially negative factors.

Firstly, there was selling on the back of SmithKline's £250m of provisions, which clouded the 8 per cent rise in its full-year figures.

Secondly, analysts said the company was one of the most heavily exposed to the US, where the Dow Jones Industrial Average had fallen for four consecutive trading days before yesterday's bounce.

Finally, some sales specialists were linking the company with Zeneca – to add a new twist to old bid speculation.

They said SmithKline's decision to unify its share structure would make it easier for the company to issue paper. Any big rights issue could facilitate a bid, they said.

However, analysts argued that SmithKline had said at Tuesday's results meeting that it had no plans to raise capital. Zeneca added 3 at 1242p.

A stock overhang depressed international motor trader Inchcape. BZW was said to be looking for a buyer for 1m shares and the stock came off sharply. Down 11 at one stage, it closed 4 off at 242p.

There was also a revival of worries about Inchcape's dividend ahead of next month's results (due March 25). Some analysts expect the new management team to cut back hard for 1995, possibly to less than 10p from the 15p paid for 1994.

Having issued a number of profits warnings last year and fallen out of the FT-SE 100 index, the yield at Inchcape has risen close to 8 per cent. The odds on a dividend cut were put at "even money" by one sector watcher.

Lex Service retreated further ahead of today's results statement. The shares fell 7 to 302p for a two-day decline of 5 per cent.

British Steel continued to improve, with the buyers keeping faith in the hope that today's London meeting between analysts and Usinor can add flesh to the French producer's recent positive statements. Usinor turned in upbeat profits on Tuesday and pointed to an early end for steel destocking in Europe.

In good two-way turnover of 11m, BS shares moved up 1¾ to 172p for a two-day gain of around 3 per cent.

Bank of Scotland lost 1½ at 284p as SBC Warburg reduced its recommendation to hold from buy.

Abbey National dipped 7 to 592p, on turnover of 24m shares, with the same broker said to have been responsible for taking on and placing a block of 10m shares, taking a 5p a share turn in the process.

Talk of corporate activity lifted electronics group Unitech 16 to 537p. Swiss utility Elektrowatt, which holds 30 per cent of the group, was said to be negotiating hard with a trade buyer. Elektrowatt also has a 42 per cent stake in Eurodis Electron up for sale. Eurodis shed 3 to 306p.

Poor press comment for Thorn EMI, following confirmation of its demerger plans and figures on Tuesday, left the shares trailing 28 to 1623p, the worst Footsie performer.

Among retailers, House of Fraser was a talking point on rumours that Mr David Dworkin, a former chief executive of Storehouse, will soon take the reins at the company.

The talk first surfaced in the dying minutes of Tuesday's session but gained strength yesterday, paying little heed to the company saying: "No management changes are on the agenda at the moment."

Shares in the retailer topped the list of the day's most active stocks in the FT-SE Mid 250 index after they climbed 11 to 188p. Volume was, however, uninspiring, reaching only 1.9m shares and leading some to point to a shortage of stock as another factor for the strong performance.

In leisure, Rank Organisation was a nervous trade ahead of today's figures and dipped 8 to 464p.

A profits warning from materials handling engineer Wagon Industrial sent the shares down 32 to 359p.

Gossip about a big deal in the offing pushed Transport Development to 225p, up 6.

Gases group BOC moved forward 7 to 919p. Merrill Lynch believes that the company is capable of producing double-digit earnings growth through to the end of the decade and advises clients to buy the shares on weakness.

MARKET REPORTERS: Peter John, Joel Kibazo, Jeffrey Brown.

FINANCIAL TIMES EQUITY INDICES

	Feb 21	Feb 20	Feb 19	Feb 16	Feb 15	Yr ago	*High	*Low
Ordinary Share	2741.0	2720.5	2734.5	2748.9	2763.8	2301.3	2788.2	2238.3
Ord. div. yield	3.87	3.90	3.85	3.83	3.81	4.62	4.73	3.76
P/E ratio net	16.49	16.40	17.08	17.16	17.25	16.82	21.33	15.35
P/E ratio nil	16.27	16.18	16.86	16.94	17.03	16.03	22.21	15.17

Ordinary Share index since compilation: high 2788.2 18/01/96; low 49.4 26/6/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2708.3	2712.7	2719.4	2719.5	2723.0	2724.2	2724.9	2728.3	2735.7	2741.0	2708.3

	Feb 21	Feb 20	Feb 19	Feb 16	Feb 15	Yr ago
SEAQ bargains	30,446	30,733	31,118	36,028	33,807	21,012
Equity turnover (£m)†	-	1645.3	1361.7	1864.1	2440.7	1362.8
Equity bargains†	-	35,690	37,902	41,476	39,336	26,351
Shares traded (mil)†	-	597.8	499.6	765.9	769.0	606.8

†Excluding intra-market business and overseas turnover.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	387	Total Highs	55	Total contracts	47,639
Total Falls	854	Total Lows	57	Calls	17,851
Same	1,552			Puts	29,788

Feb. 21 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3754.0	3714.0	-31.0	3754.0	3697.0	15913	59960
Jun	3754.0	3716.5	-31.0	3754.0	3704.0	2768	3864
Sep	3760.0	3734.0	-31.0	3760.0	3745.0	1956	267

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		4180.0	-10.0			0	3311

■ FT-SE 100 INDEX OPTION (LIFFE) (*3722) £10 per full index point

	3550 C	3550 P	3600 C	3600 P	3650 C	3650 P	3700 C	3700 P	3750 C	3750 P	3800 C	3800 P	3850 C	3850 P	3900 C	3900 P
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Calls 3,533 Puts 7,455

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3525 C	3525 P	3575 C	3575 P	3625 C	3625 P	3675 C	3675 P	3725 C	3725 P	3775 C	3775 P	3825 C	3825 P	3875 C	3875 P
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Calls 1,644 Puts 8,767 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995/96 High	1995/96 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	28.3	304	289	BZW Eq (Bermda)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
-	F.P.	5.76	6½	5½	†Ballycastey	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7.5	F.P.	17.8	8½	7¼	Clubhaus	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
-	F.P.	3.08	5½	3½	Clubhaus Wts	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
-	F.P.	13.1	90	70	†Dmatek	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7.5	F.P.	15.0	15	11	Ex-Lands Props	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
-	F.P.	0.19	13½	8½	Ex-Land Wts	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
60	F.P.	34.3	68	63	MediaKey	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
-	F.P.	2.13	8	8	†Norm Prtm Wts	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
-	F.P.	15.8	71	66	†Optical Care (5)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
-	F.P.	3.10	13	12	Ormonde	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
-	F.P.	1.13	105	100	†Revelation P'dlly	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
54	F.P.	2.97	60	51	†Self Sealing Sys	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
175	F.P.	127.3	223	198	Shire Pharms	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
-	F.P.	1.00	9	8	†SkyePharma Wts	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Feb 20	% chg on day	Feb 19	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (33)	2315.65	-3.0	2388.74	1737.42	1.43	-	2590.73	1986.31
■ Regional Indices								
Africa (16)	3148.20	-2.8	3239.60	2701.47	2.72	38.69	3553.65	2272.74
Australasia (5)	2563.21	-1.8	2710.71	1844.41	2.31	40.62	2927.34	1844.41
North America (12)	2027.90	-3.3	2095.12	1439.06	0.66	61.23	2188.39	1398.96

 Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FT - SE Actuaries Share Indices — The UK Series

	Feb 21	Day's chge%	Feb 20	Feb 19	Feb 16	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3725.6	+0.3	3714.6	3744.3	3770.8	3019.5	3.69	2.05	15.55	13.06	1494.60
FT-SE Mid 250	4182.0	+0.1	4177.9	4190.0	4199.9	3400.5	3.51	1.74	20.47	23.93	1656.76
FT-SE Mid 250 ex Inv Trusts	4198.2	+0.1	4192.2	4203.7	4312.8	3410.4	3.64	1.79	19.18	25.27	1665.08
FT-SE-A 350	1860.2	+0.3	1855.6	1868.3	1879.7	1609.2	3.61	1.89	16.48	7.40	1527.17
FT-SE-A 350 Higher Yield	1863.5	+0.3	1857.3	1868.0	1879.5	1538.0	4.69	1.64	14.46	6.57	1288.92
FT-SE-A 350 Lower Yield	1861.6	+0.2	1858.6	1873.6	1884.9	1480.1	2.88	2.25	19.33	8.30	1276.66
FT-SE SmallCap	2037.47	-0.2	2041.07	2043.50	2042.29	1706.03	3.09	1.82	22.26	4.03	1650.47
FT-SE SmallCap ex Inv Trusts	2016.39	-0.2	2019.71	2021.41	2018.48	1684.49	3.30	1.91	19.86	4.17	1642.37
FT-SE-A ALL-SHARE	1836.15	+0.2	1832.12	1843.95	1854.25	1493.09	3.76	1.96	16.82	7.02	1531.39

■ **FT-SE Actuaries All-Share**

	Feb 21	Day's chge%	Feb 20	Feb 19	Feb 16	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3221.45	----	3220.56	3235.58	3266.54	2546.25	4.02	1.51	20.58	22.56	1365.04
12 Extractive Industries(6)	4167.80	+0.4	4149.46	4179.76	4255.66	3399.14	3.81	2.39	13.72	55.48	1219.61
15 Oil, Integrated(3)	3253.16	----	3252.86	3266.07	3297.47	2661.75	4.24	1.35	21.76	16.24	1410.09
16 Oil Exploration & Prod(15)	2198.16	-0.7	2212.97	2223.42	2206.07	1913.81	2.23	1.46	38.27	0.00	1304.77
20 GEN INDUSTRIALS(276)	2024.42	+0.4	2016.98	2022.51	2030.08	1800.74	4.08	1.87	16.42	2.06	1088.13
21 Building & Construction(34)	1062.35	----	1062.78	1060.56	1061.83	918.22	3.75	2.08	16.02	1.16	876.20
22 Building Matls & Merchs(26)	1885.75	-0.1	1887.79	1903.86	1918.13	1686.82	3.97	2.03	16.50	0.61	936.18
23 Chemicals(23)	2439.13	+0.7	2423.02	2409.42	2399.70	2150.21	4.02	1.88	16.53	0.91	1136.27
24 Diversified Industrials(21)	1745.98	+0.5	1737.52	1748.44	1752.87	1792.42	5.65	1.48	14.94	3.32	955.87
25 Electronic & Elect Equip(36)	2323.04	+0.6	2310.11	2321.25	2338.16	1907.18	3.10	1.96	20.71	2.04	1192.87
26 Engineering(71)	2270.24	+0.2	2266.66	2267.24	2280.71	1726.67	3.28	2.24	17.00	3.48	1360.95
27 Engineering, Vehicles(13)	2596.41	+0.2	2591.77	2602.76	2620.80	2058.40	3.95	1.26	25.16	0.23	1322.93
28 Paper, Pckg & Printing(28)	2699.55	+1.1	2670.70	2673.81	2674.99	2770.64	3.71	2.53	13.33	0.39	1107.47
29 Textiles & Apparel(19)	1477.47	-0.1	1479.31	1480.29	1482.49	1458.34	4.71	1.79	14.83	0.32	886.32
30 CONSUMER GOODS(91)	3612.43	+0.2	3606.41	3642.73	3677.22	2799.35	3.82	1.74	18.77	7.79	1313.59
32 Alcoholic Beverages(8)	2774.01	----	2774.59	2807.92	2841.13	2546.17	4.36	1.67	17.09	26.48	991.46
33 Food Producers(23)	2533.19	-0.2	2538.08	2552.70	2573.03	2238.09	4.30	1.70	17.04	4.53	1125.43
34 Household Goods(16)	2556.68	+0.4	2546.00	2602.91	2609.69	2479.88	3.73	2.15	15.61	1.96	961.39
36 Health Care(20)	1949.69	-0.1	1952.13	1959.31	1963.21	1576.90	2.63	1.76	26.94	2.08	1171.84
37 Pharmaceuticals(13)	5150.10	-0.1	5155.98	5222.46	5264.90	3434.26	3.22	1.69	23.01	0.05	1720.10
38 Tobacco(1)	4849.56	+2.2	4743.69	4760.64	4845.34	3473.89	4.95	1.94	13.03	0.00	1173.26
40 SERVICES(253)	2315.44	+0.2	2310.60	2330.66	2341.65	1819.94	3.00	2.09	19.93	12.96	1193.27
41 Distributors(32)	2562.70	-0.6	2577.35	2609.12	2613.03	2248.86	3.76	1.79	18.55	0.00	932.70
42 Leisure & Hotels(23)	2835.74	-0.5	2850.26	2878.18	2917.84	2060.80	2.94	1.95	21.88	104.50	1508.13
43 Media(46)	3814.43	+0.4	3799.97	3834.41	3842.57	2689.43	2.21	2.16	26.49	11.48	1369.47
44 Retailers, Food(15)	1908.81	+0.3	1902.79	1925.16	1932.42	1752.19	3.83	2.41	13.57	2.85	1197.00
45 Retailers, General(43)	1918.15	+0.1	1915.89	1935.58	1947.20	1495.44	3.09	2.24	18.05	5.57	1084.45
47 Breweries, Pubs & Rest.(24)	2981.71	+0.1	2978.46	2983.04	2985.92	2147.76	3.31	2.08	18.14	15.46	1421.65
48 Support Services(49)	2061.16	+0.2	2056.26	2060.09	2054.74	1435.95	2.32	2.52	21.35	2.39	1298.58
49 Transport(21)	2299.22	+0.8	2281.94	2304.05	2325.37	2140.68	3.77	1.39	23.86	3.84	945.80
60 UTILITIES(33)	2461.70	+0.8	2440.96	2452.85	2486.19	2359.87	5.04	2.01	12.33	27.33	1041.33
62 Electricity(12)	2754.56	+0.6	2738.92	2760.68	2780.68	2462.97	5.04	2.60	9.54	105.57	1333.57
64 Gas Distribution(2)	1600.31	----	1600.56	1603.76	1600.56	2009.80	7.49	1.04	16.05	0.00	802.90
66 Telecommunications(7)	2028.46	+1.5	1997.73	2003.59	2017.67	1989.34	4.16	1.77	16.98	0.00	918.14
68 Water(12)	2092.26	-0.2	2096.64	2109.37	2115.44	1743.11	5.85	2.60	8.25	3.61	1134.62
69 NON-FINANCIALS(667)	1836.04	+0.3	1930.19	1942.91	1954.94	1617.32	3.85	1.88	17.39	8.14	1450.86
70 FINANCIALS(108)	2954.32	-0.1	2956.10	2974.75	2983.89	2102.63	3.75	2.56	13.04	0.68	1247.96
71 Banks, Retail(8)	4198.50	-0.3	4212.49	4244.77	4261.89	2751.64	3.41	2.97	12.35	0.00	1345.87
72 Banks, Merchant(6)	3491.28	-0.1	3498.45	3546.51	3528.29	3057.91	2.67	2.41	19.45	0.00	1094.49
73 Insurance(24)	1428.67	+1.1	1412.63	1417.38	1417.27	1170.12	5.22	2.92	8.16	0.39	1047.51
74 Life Assurance(6)	3535.79	----	3534.86	3544.82	3559.07	2306.34	3.95	1.53	20.69	0.00	1440.49
77 Other Financial(23)	2543.95	-0.1	2547.21	2553.69	2562.36	1838.96	3.51	1.90	18.72	1.06	1426.07
79 Property(41)	1447.76	+0.1	1445.65	1454.15	1458.70	1372.04	4.32	1.31	22.16	2.64	879.59
80 INVESTMENT TRUSTS(127)	3118.35	-0.2	3122.08	3135.56	3150.71	2589.45	2.16	1.04	55.48	6.49	1080.68
89 FT-SE-A ALL-SHARE(902)	1836.15	+0.2	1832.12	1843.95	1854.25	1493.09	3.76	1.96	16.82	7.02	1531.39
FT-SE-A Fledgling	1146.09	-0.1	1147.69	1148.97	1145.91	971.53	2.94	2.23	19.06	2.78	1186.93
FT-SE-A Fledgling ex Inv Trusts	1146.33	-0.1	1147.18	1146.20	1145.52	971.64	3.22	2.40	16.16	2.94	1186.34

■ **Hourly movements**

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3698.7	3698.9	3707.2	3703.9	3706.1	3710.0	3710.3	3711.1	3721.6	3725.6	3698.7
FT-SE Mid 250	4166.4	4167.8	4173.8	4174.3	4175.3	4176.0	4176.0	4176.6	4179.8	4182.0	4166.3
FT-SE-A 350	1844.2	1848.4	1852.2	1851.0	1852.7	1853.5	1853.6	1854.0	1858.5	1860.2	1844.2

Time of FT-SE 100 Day's high: 4:28 PM Day's low: 8:30 AM. FT-SE 100 1996 High: 3781.3 (02/02/96) Low: 2954.2 (23/01/95).

■ **FT-SE Actuaries 350 Industry baskets**

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1068.3	1068.6	1069.1	1068.4	1069.3	1069.3	1069.3	1070.3	1071.3	1072.3	1072.1	0.2
Pharmaceutcls	5068.8	5077.0	5081.7	5069.1	5068.6	5072.2	5078.2	5073.9	5088.9	5094.8	5100.7	-5.9
Water	2086.2	2090.0	2086.2	2086.7	2086.1	2086.5	2086.5	2086.5	2085.0	2085.0	2089.4	-4.4
Banks, Retail	4213.4	4226.0	4243.7	4235.8	4241.9	4236.6	4234.2	4228.2	4246.1	4252.1	4266.3	-14.2

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues.

*The FT-SE Actuaries Share Indices are calculated by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries. © FT-SE International Limited 1996. All Rights reserved. The FT-SE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries. "FT-SE" and "Footsie" are trademarks of the London Stock Exchange and the Financial Times Limited and are used by FT-SE International Limited under licence. Auditor: The WM Company." † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative.

TRADING VOLUME

■ **Major Stocks Yesterday**

	Vol 000s	Closing price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded. Source: FT Extel.

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Feb 21 / Sch)

BELGIUM/LUXEMBOURG (Feb 21 / Frs.)

CZECH REP (Feb 21 / Koruna)

DENMARK (Feb 21 / Kr)

FINLAND (Feb 21 / Mka)

FRANCE (Feb 21 / Frs.)

GERMANY (Feb 21 / Dm.)

GREECE (Feb 21 / Drachma)

ITALY (Feb 21 / Lira)

NETHERLANDS (Feb 21 / Fls.)

NORWAY (Feb 21 / Kroner)

POLAND (Feb 21 / Zloty)

PORTUGAL (Feb 21 / Escudo)

SPAIN (Feb 21 / Pta.)

SWEDEN (Feb 21 / Kronor)

SWITZERLAND (Feb 21 / Frs.)

TURKEY (Feb 16 / Tk Lira)

PACIFIC

JAPAN (Feb 21 / Yen)

AUSTRALIA (Feb 21 / AusS)

HONG KONG (Feb 16 / H.K.$)

INDONESIA (Feb 16 / Rupiah)

MALAYSIA (Feb 16 / MYR)

NEW ZEALAND (Feb 21 / NZ $)

SINGAPORE (Feb 16 / S$)

SOUTH KOREA (Feb 21 / Won)

TAIWAN (Feb 15 / TW $)

THAILAND (Feb 21 / Baht)

AFRICA

SOUTH AFRICA (Feb 21 / Rand)

NORTH AMERICA

CANADA

TORONTO (Feb 21 / Can $)

MONTREAL (Feb 21 / Can $)

INDICES

INDEX FUTURES

CAC-40

DAX

US INDICES

Dow Jones

Standard and Poors

RATIOS

	Feb 16	Feb 9	Feb 2	Year ago
Dow Jones Ind. Div. Yield	2.16	2.13	2.19	2.72
	Feb 14	Feb 7	Jan 31	Year ago
S & P Ind. Div. yield	1.87	1.88	1.91	2.36
S & P Ind. P/E ratio	20.07	19.86	19.43	19.57

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

NYSE			
Issues Traded	3,101	3,101	3,092
Rises	516	1,070	1,079
Falls	1,969	1,247	1,218
Unchanged	616	784	785
New Highs	66	115	101
New Lows	21	18	10

Prices supplied by Telekurs

FT FREE ANNUAL REPORTS SERVICE

TOKYO - MOST ACTIVE STOCKS: Wednesday, February 21, 1996

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Mitsubishi Hvy	5.4m	849	+2	Toshiba Corp	4.3m	807	-4
Keisei Elect Ry	5.4m	970	+7	Tokyo Gas	4.2m	372	-5
Sumitomo Mtl Ind	5.3m	309	-5	Shinko Elect	3.1m	660	-31
Nippon Steel Cp	5.0m	347	-5	Nippon Mtl Ind	3.1m	487	-23
NKK Corp	4.5m	288	-4	Japan Energy	2.8m	365	-2

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close February 21

1995/96 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
22⅛	12⅛	AAR	0.48	2.4	24	366	20⅜	20	20¼	+⅛
46¼	35	AMP	1.00	2.3	21	2785	43¼	42⅞	43	+⅛
85⅝	53⅜	AMR			34	15138	u85⅝	82⅛	85⅜	+3⅝
50½	36⅞	ASA x	2.00	4.3	30	2548	46¼	43⅝	46¼	+1⅞
44¾	30¾	AbbotL	0.86	2.3	19	27810	42¾	41	41¼	-1½
18⅞	12	Abitibi Pr	0.40	2.5	8	315	16⅜	16⅛	16¼	-⅛
28⅝	21	ABM Ind	0.70	2.5	15	124	28½	28⅜	28½	+⅛
17½	13⅛	Accptnceln			10	113	14⅞	14¾	14⅞	
50⅜	21⅞	ACE Ltd	0.56	1.2	11	1610	47	45½	47	+1¼
9⅞	8⅛	ACM Gvt In	0.90	9.2	8	412	9¾	9⅝	9¾	+⅛
7⅞	6½	ACM GvOpp	0.66	8.5		452	7¾	7⅝	7¾	+⅛
7½	5¾	ACM Gvt Sp	0.75	10.7		333	7⅛	7	7	
9⅛	7¼	ACM Gvt Se	0.90	10.1		475	9	8⅞	8⅞	
9½	7⅝	ACM Man	0.90	9.9		128	9¼	9⅛	9⅛	-⅛
29¼	10¼	AcmeClv	0.52	2.8	4	144	18½	18⅜	18½	
39¾	6⅞	Acme Elect			61	67	7½	7¼	7⅜	
34½	23¾	Acordia	0.72	2.5	15	94	28¼	28¼	28¼	
16¾	10⅛	Acuson			44	334	14½	14¼	14⅜	-¼
19⅝	15⅝	Adams Expr x	0.36	1.9	0	146	19⅜	18¾	19⅜	+⅛
38⅞	16⅛	AdvMic			6	4358	20¼	18¾	18⅞	
10¼	5	Advest Grp	0.16	1.7	9	63	9½	9⅛	9½	+⅛
27½	16½	Advo Inc	0.10	0.5	22	473	21¾	21¼	21¾	+¼
46¼	24.80	Aegon	1.28	3.0	16	86	43	42⅞	43	+1
5⅞	3⅜	Aerflx			8	632	4⅝	4⅜	4½	+¼
76¼	46⅜	AetnaL	2.76	3.9	34	6421	72¼	70⅝	71¼	
49½	31⅞	Aflac x	0.52	1.1	13	1810	47⅝	46⅞	47¼	-⅜
28⅜	16	Ahmanson	0.88	3.9	7	8971	23⅜	22⅝	22¾	-¾
56½	43⅞	AirPrC	1.04	2.0	16	2657	53	52	53	+⅜
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

[illegible]

- J -

[illegible]

- K -

[illegible]

- L -

[illegible]

- M -

[illegible]

- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

[illegible]

Continued on next page

4 pm close February 21

NYSE COMPOSITE PRICES

Continued from previous page

1995/96 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close	Chng Prev. Close
18¼	9	SFeGd	0.05	0.3	52	9427	16	15½	15⅞	
38⅜	30½	SFePPipe	3.00	7.8	18	87	u38⅜	37¾	38⅜	+½
35½	24¼	SaraLee	0.76	2.3	19	15245	33¾	33⅛	33⅛	-½
60¼	38⅝	SBC Cm	1.65	3.0	17	9079	56¾	55¼	55½	-½
28⅝	20½	Scana Corp	1.44	5.3	16	1745	27¾	27⅜	27¼	-⅜
11¼	5⅞	SchawkA	0.28	3.1	28	94	8⅞	8¼	8⅞	-½
50¼	37¼	SchererRP			21	2186	42⅞	41⅞	42	-⅞
60¾	35½	SchrPl	1.16	2.0	23	8458	57½	56⅞	56⅝	-⅞
76	50½	Schlmb	1.50	2.0	27	6067	75¼	74	75⅛	+1⅛
29	17¼	Schwab(C)	0.16	0.7	24	2131	24	23⅛	24	+¼
27½	20⅜	SchwMauo				482	26¼	25¾	26⅛	+¼
24⅞	11⅞	SciAtl	0.06	0.4	36	745	16¾	16½	16⅝	+¼
20	16⅛	Scotsman	0.10	0.6	10	25	17⅜	17¼	17⅜	-⅛
49½	26⅞	Scripps x	0.52	1.2	25	1176	42⅝	41¾	41¾	-¼
21½	13⅜	ScuddrNAsF	0.02	0.1		169	17⅜	17	17¼	-¼
11⅞	8⅝	ScuddrNEuF	0.16	1.4		384	11½	11¼	11½	-⅛
20	13⅜	SeaCnt	0.70	4.2	1	21	16⅝	16⅝	16⅝	
16¼	14⅝	SeaCl 4625	1.46	9.5		2	15½	15⅜	15⅜	-¼
65¼	23⅝	S'gate			12	18435	u65¼	63	64¼	+1¼
39½	25⅝	Seagram	0.60	1.7	26	4775	35⅜	34⅝	35	-⅛
22½	15¾	Seagull En			[illegible]	[illegible]	21	20⅝	20¾	-⅛
32⅝	18	Sealed Air			24	4595	30	29⅛	30	+1
46⅞	30⅜	Sears	0.92	2.1	11	15578	43⅞	42⅜	43⅞	+1¼
21⅞	16⅛	SecCapSBI	1.24	5.8	25	629	d21⅞	21¼	21½	-⅛
13	10⅜	Seligm Sel x	0.84	6.7		174	12¾	12⅝	12⅝	-⅛
38¼	13⅝	Sensormat	0.22	1.0	75	8652	21½	20	21⅛	+1¼
35¼	21⅞	SequaA	0.60	1.7	15	63	35⅛	35	35	-⅛
41⅝	23	SequaB	0.50	1.2	21	13	41	41	41	-½
46⅛	26¼	ServCp	0.48	1.1	28	2372	45¼	44	44½	-½
33½	21½	SvMstr	0.36	3.0	14	594	31⅝	30⅞	31⅝	-⅛

[illegible]

AMEX COMPOSITE PRICES

4 pm close February 21

[illegible]

NASDAQ NATIONAL MARKET

4 pm close February 21

[illegible]

AMERICA

Greenspan testimony lifts bonds, equities

Wall Street

Rising bond prices helped the US equity market roar back from Tuesday's tumble, putting shares on track for a positive finish after four sessions of losses, writes Lisa Bransten in New York.

Morning activity was almost a mirror of Tuesday's session, with blue chips in the Dow Jones Industrial Average rising more than 50 points and triggering the "downtick rule" that restricts computer buying. On Tuesday the "uptick rule" was set off in morning dealing after the Dow had tumbled in excess of 50 points.

At 1 pm the Dow was 46.24 stronger at 5,504.77, the Standard & Poor's 500 had rallied 5.90 to 646.55 and the American Stock Exchange composite was standing 4.72 ahead at 563.24. Volume on the New York SE came to 245m shares.

Bonds had been shaken on Tuesday by the congressional testimony from Mr Alan Greenspan, the chairman of the Federal Reserve, which was interpreted as a signal that the economy was not as weak as many investors had come to believe. However, investors were reassured yesterday when Mr Greenspan, in his second day of testimony, implied that the Fed's interest rate policy remained flexible.

Technology issues were mostly stronger, with the Nasdaq composite up 8.54 at 1,091.78 and the Pacific Stock Exchange technology index 1 per cent firmer.

The computer maker Dell Computer continued to gain from anticipation that earnings reports to be released later this week would be strong. Dell added $1⅜ to the $2⅜ it rose on Tuesday, bringing the shares to $34¼; in the same sector, Hewlett Packard climbed $2⅛ to $97½, having risen $½ on Tuesday.

Delta Air Lines moved up $1⅞ to $75½ after the carrier agreed to a tentative cost-savings plan by its pilots union. ValueJet, Delta's primary competitor, fell $1/16 to $22 1/16, while most other airline companies were higher. UAL, parent of United Airlines, gained $5¼ at $183 and AMR, parent of American Airlines, was $2¼ stronger at $83⅞.

St Jude Medical rose $1¼ to $38⅜ on news that the privately held Heartport had received permission from the US Food and Drug Administration to begin human trials of its device that allows less invasive open heart surgery. The two companies are working together on the technology.

Canada

Toronto's rate of decline eased after Tuesday's gold-induced weakness, but the TSE 300 composite index still managed to shed a further 11.09 to 4,952.71 by 1 pm. This time the financial services, oil and gas and gold sectors seemed almost equally to blame.

Banks rebounded after dropping on Tuesday, with Bank of Nova Scotia putting on C$⅜ at C$30⅛ in some 1m shares dealt, one of the market's most active stocks at midday. Sceptre Resources, the natural gas company, rose C$⅜ to C$9⅞.

SOUTH AFRICA

A sharply lower bullion price hit the golds sector. However, brokers remarked that volume was low and that they expected some volatility ahead of the budget on March 13. The overall index fell 82.3 to 6,649.6, the industrials index shed 79.9 to 8,312.8 and the golds index dropped 80.7 to 1,702.0. De Beers defied the trend with a rise of R1 to R119 on reports that good progress had been made in talks with Russian diamond producers.

Trade data support Mexico City

There was a positive initial reaction in Mexico City to trade data which showed a January surplus of nearly $780m compared to a deficit of $350m a year earlier. By midsession the IPC index was up 10.93 at 2,915.34.

Concerns over forthcoming company earnings and reports that unemployment and inflation were both rising continued to exert a dampening effect on the market. Telmex slipped from a firm opening to stand at 11.84 pesos by noon.

BUENOS AIRES was slightly higher by midday as the country's ADRs gained ground on Wall Street. The Merval index was 2.96 up at 523.46, having fallen to 507.94 in early trading. Dealers said they would be watching a senate debate later to see if cost-cutting measures by President Carlos Menem would be approved.

SANTIAGO was nearly 1 per cent stronger in early trading, with the IGPA index standing 50.83 ahead at 5,608.46.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: Feb. 16 1996	% Change over week	% Change on Dec '95	Local currency terms: Feb. 16 1996	% Change over week	% Change on Dec '95
Latin America	(248)	507.39	-3.0	+7.6			
Argentina	(31)	826.90	-6.4	+3.2	507,139.49	-6.4	+3.2
Brazil	(68)	355.65	-3.0	+16.5	1,304.89	-2.8	+17.5
Chile	(43)	702.67	-3.5	-6.1	1,158.06	-3.1	-5.1
Colombia[1]	(15)	603.51	-1.5	+0.9	1,100.27	-0.9	+4.8
Mexico	(65)	494.59	-1.5	+8.1	1,609.04	-0.7	+6.9
Peru[2]	(21)	219.66	-2.4	+11.3	315.10	-2.7	+13.6
Venezuela[3]	(5)	397.06	+3.5	+18.8	4,123.61	+10.4	+58.0
Asia	(631)	252.63	+2.1	+8.8			
China[4]	(23)	62.22	+2.6	+15.0	65.29	+2.7	+14.9
South Korea[5]	(145)	124.93	-0.1	-0.8	128.09	-0.2	-0.2
Philippines	(35)	286.93	+3.0	+10.6	362.18	+2.9	+10.1
Taiwan, China[6]	(83)	104.87	+1.0	-7.0	108.23	+1.0	-8.3
India[7]	(76)	89.27	+2.3	+11.1	115.71	+1.1	+16.3
Indonesia[8]	(44)	125.69	+2.3	+14.6	157.15	+2.7	+15.3
Malaysia	(123)	296.74	+2.4	+9.4	279.63	+2.7	+10.0
Pakistan[9]	(25)	318.46	+12.1	+31.2	495.89	+12.1	+31.8
Sri Lanka[10]	(5)	114.30	+1.8	+9.8	133.02	+1.8	+10.0
Thailand	(72)	406.28	-0.1	+8.1	406.65	-0.3	+8.2
Euro/Mid East	(236)	154.79	-3.1	+8.3			
Greece	(47)	256.19	+1.2	+6.1	419.72	+0.3	+8.4
Hungary[11]	(8)	130.26	-12.0	+32.4	221.29	-12.2	+36.8
Jordan	(8)	183.28	-0.6	-0.8	273.52	-0.6	-0.8
Poland[12]	(22)	570.37	-1.3	+33.8	910.41	-1.6	+37.5
Portugal	(26)	126.76	+2.3	+9.5	132.55	+1.3	+11.5
South Africa[13]	(63)	271.31	-4.2	+5.1	211.99	-0.7	+9.1
Turkey[14]	(54)	142.56	-0.5	+35.4	4,381.95	+1.5	+46.6
Zimbabwe[15]	(5)	340.71	+7.4	+24.0	473.77	+7.4	+25.7
Composite	(1117)	298.97	-0.9	+6.4			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Aug 2 1993; (15)July 2 1993.

There are expectations that the flow of funds into the world's emerging markets will rise this year after a disappointing performance in 1995, writes John Pitt. Mr Michael Howell at ING Barings forecasts that some $50bn could come into the sector during 1996, which would redress the balance: investors turned cautious following the 1993 peak, when inflows reached a record $62bn. He senses that most of the money will be directed towards two regions: Asia Pacific, and specifically Malaysia, the Philippines, Thailand and Indonesia; and pre-emerging markets, such as eastern Europe and Russia. "Together, these regions will receive around $20bn, or some 40 per cent, of cross-border equity flows in 1996," says Mr Howell, "but they only comprise roughly 25 per cent of the overall emerging stock market capitalisation. Share prices could, therefore, rise strongly."

His expectations are echoed by Mr David Hale of Zurich Kemper Investments, who believes that the "odds are high that investor demand for developing country securities will rebound this year". Considering the Mexican crisis at the end of 1994, Mr Hale notes that this event "has demonstrated the resilience of the economic ideas which have turned formerly closed economies into magnets for foreign investment". He is also positive about eastern Europe, and forecasts that the region will come into the limelight during the course of this year. "A revival of securitised capital flows to emerging markets will permit Poland, Hungary and other east European countries to privatise state enterprises at higher prices than would have been possible last year, and thus to further reduce their budget deficits," he argues.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY FEBRUARY 20 1996: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY FEBRUARY 19 1996: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (81)	194.27	-0.9	186.49	130.30	146.78	171.08	-1.1	3.90	196.11	187.94	129.00	147.12	172.91	200.32	158.79	158.67
Austria (26)	183.82	-1.0	176.47	123.30	138.89	138.75	-0.2	1.56	185.61	177.88	122.09	139.24	139.09	199.28	168.11	178.83
Belgium (34)	204.03	-1.9	195.86	136.85	154.16	150.44	-1.3	3.50	208.04	199.37	136.84	150.07	152.43	215.81	172.73	173.96
Brazil (28)	161.47	0.0	155.00	108.30	122.00	292.54	0.0	1.58	161.47	154.74	106.21	121.13	292.54	170.25	86.06	116.57
Canada (101)	154.26	-0.8	148.11	103.48	116.57	154.20	-1.2	2.44	155.59	149.11	102.34	116.72	156.09	158.71	125.64	126.21
Denmark (33)	295.69	-2.4	283.86	198.33	223.41	226.19	-1.7	1.57	302.82	290.21	199.19	227.16	230.14	304.88	252.41	281.21
Finland (24)	178.84	-0.2	171.68	119.95	135.12	170.42	0.2	1.87	179.17	171.71	117.85	134.41	169.99	276.11	171.13	183.76
France (98)	184.14	-0.9	176.76	123.51	139.12	144.65	-0.3	3.16	185.88	178.14	122.27	139.45	145.05	191.17	161.53	164.48
Germany (60)	169.32	-1.3	162.54	113.57	127.93	127.93	-0.6	1.89	171.60	164.45	112.87	128.73	128.73	171.60	142.25	149.41
Hong Kong (59)	451.19	0.0	433.13	302.63	340.90	447.98	-0.0	3.15	451.18	432.38	296.78	338.47	447.97	451.19	320.66	320.66
Ireland (16)	257.20	-1.0	246.90	172.51	194.33	227.85	-0.8	3.46	259.69	248.87	170.82	194.82	229.62	262.70	205.44	214.77
Italy (59)	71.97	-0.8	69.09	48.28	54.38	85.27	-0.5	1.75	72.54	69.52	47.72	54.42	85.72	82.71	65.45	70.35
Japan (482)	151.22	-2.4	145.17	101.43	114.25	101.43	-0.5	0.75	154.88	148.47	101.91	116.23	101.91	164.82	136.95	144.37
Malaysia (107)	526.30	0.0	505.23	353.01	397.64	516.67	0.0	1.62	526.09	504.17	346.05	394.67	516.67	531.96	425.77	494.68
Mexico (18)	1104.99	-2.9	1060.76	741.15	834.88	9154.68	-2.6	1.52	1138.15	1090.73	748.65	853.83	9395.17	1237.14	647.81	949.34
Netherland (19)	276.52	-1.4	265.45	185.47	208.92	205.41	-0.7	3.26	280.44	268.76	184.47	210.38	206.88	283.23	225.09	226.86
New Zealand (14)	79.54	-0.5	76.36	53.35	60.10	62.32	0.1	4.65	79.94	76.61	52.58	59.97	62.28	85.49	72.39	78.10
Norway (33)	234.84	-0.6	225.44	157.51	177.43	202.71	0.0	2.26	236.27	226.43	155.41	177.25	202.77	243.79	202.76	213.98
Singapore (44)	458.82	-0.4	440.46	307.75	346.66	296.33	0.0	1.35	460.80	441.60	303.10	345.69	296.33	466.21	342.37	390.01
South Africa (45)	390.25	-2.1	374.63	261.75	294.85	330.31	-1.1	3.61	398.51	381.90	262.13	298.96	334.03	437.76	303.31	306.25
Spain (37)	171.02	-0.7	164.17	114.71	129.21	158.61	-0.2	3.78	172.30	165.12	113.33	129.26	159.18	172.30	124.10	133.42
Sweden (47)	313.05	-0.7	300.52	209.97	236.53	317.50	-1.0	1.96	315.15	302.00	207.28	236.41	320.59	324.31	232.23	245.34
Switzerland (39)	226.93	-1.4	217.84	152.21	171.46	166.53	-0.5	1.80	230.19	220.60	151.41	172.68	167.35	239.55	171.05	171.05
Thailand (46)	188.56	-0.3	181.01	126.47	142.47	184.49	-0.3	2.03	189.13	181.25	124.41	141.89	184.98	193.95	130.15	149.60
United Kingdom (205)	231.66	-0.9	222.39	155.38	175.03	222.39	-0.7	4.04	233.76	224.02	153.76	175.37	224.02	235.50	192.74	194.04
USA (631)	261.46	-1.1	250.99	175.37	197.54	261.46	-1.1	2.21	264.25	253.24	173.82	198.24	264.25	269.11	197.20	197.41
Americas (778)	238.56	-1.1	229.01	160.01	180.25	200.60	-1.1	2.20	241.11	231.07	158.60	180.88	202.76	245.54	180.00	180.86
Europe (730)	202.19	-1.1	194.09	135.61	152.76	173.43	-0.8	3.02	204.38	195.87	134.44	153.32	174.52	204.70	169.63	172.15
Nordic (137)	276.30	-0.9	265.24	185.32	208.76	240.84	-0.8	1.81	278.82	267.20	183.40	209.17	242.88	[illegible]	222.22	223.72
Pacific Basin (833)	164.90	-2.0	158.29	110.60	124.59	113.61	-0.4	1.17	168.24	161.23	110.67	126.21	114.11	171.67	145.85	152.42
Euro-Pacific (1563)	180.33	-1.6	173.11	120.95	136.25	136.35	-0.5	2.03	183.19	175.56	120.50	137.43	137.07	183.39	156.37	160.54
North America (732)	[illegible]	-1.1	244.63	170.92	192.54	254.25	-1.1	2.21	257.54	246.81	169.40	193.20	256.99	262.26	192.77	193.00
Europe Ex. UK (525)	181.80	-1.2	174.52	121.94	137.36	146.35	-0.6	2.44	183.95	176.29	121.00	138.00	147.18	184.61	152.92	156.21
Pacific Ex. Japan (351)	290.72	-0.3	279.08	194.99	219.65	254.83	-0.3	2.88	291.91	279.46	191.81	218.76	255.54	292.69	229.25	231.57
World Ex. US (1755)	181.70	-1.6	174.43	121.87	137.28	140.58	-0.6	2.07	184.57	176.88	121.40	138.46	141.38	184.71	156.72	160.78
World Ex. UK (2181)	203.78	-1.4	195.62	136.68	153.96	170.69	-0.8	1.94	206.64	198.03	135.92	155.02	172.03	207.64	169.82	180.58
World Ex. Japan (1904)	236.75	-1.0	227.27	158.79	178.87	222.55	-0.9	2.54	239.19	229.23	157.34	179.44	224.48	240.96	187.55	187.93
The World Index (2386)	206.25	-1.3	197.99	138.34	155.83	175.38	-0.8	2.13	209.06	200.35	137.51	156.83	176.74	209.68	169.20	171.72

Latest prices were unavailable for this edition. Markets closed 20/2/96: Brazil, Hong Kong, Malaysia, and Singapore.

EUROPE

Paris pores over Thomson possibilities

The government's announcement that it intended to proceed with the privatisation of Thomson SA by the end of the year absorbed PARIS.

The news hurt Thomson-CSF, the defence electronics subsidiary, which fell *FFr14.90 or 11 per cent to* FFr119.10. Thomson SA, in which the state has a 76 per cent stake and France Telecom 20 per cent, rose FFr1 to FFr1,061 in a technical trade.

Brokers said there was still little detail about how the government would tackle the sell-off, but there was a possibility that the state would not place the stake through an equity offering.

One dealer suggested that Thomson SA, which had debts of some FFr19bn, could be sold to a corporate buyer, with speculation that Alcatel might be interested. Alcatel lost FFr5.30 to FFr439.60. Another broker commented that the market was surprised at the departure of Mr Alain Gomez as chairman, since he had appeared to have done a good job in difficult circumstances.

The CAC-40 index made its first advance this week with a rise of 4.54 to 1,936.90. Turnover was FFr3.4bn.

There were rumours that the government would announce today a proposal to merge Aerospatiale and Dassault Aviation, as part of a shake-up of the defence sector. Dassault rose FFr42 to FFr452 and Lagardere Groupe, another defence company, by FFr6 to FFr126.5.

AMSTERDAM powered above the 500 level, helped by some good corporate news. The AEX index added 4.27 at 503.94.

DSM led cyclicals with a jump of Fl 10.90 or 7.7 per cent to Fl 153 after announcing the planned conversion of a 20 per cent stake, held by the Dutch government, into cumulative preference shares which would be placed with institutional investors. *Following the transaction the state would be left with an 11 per cent holding.*

Following the announcement analysts said that one consequence of the deal would be to lift earnings per ordinary share, and they speculated that the shares could reach Fl 165 in the medium term.

Philips rose Fl 1.10 to Fl 67.10 as it said that it was to spend FFr2bn in 1,400 jobs in France on a project which would include the upgrading of its Le Mans factory to become the world headquarters of its mobile telephone business. The company planned to manufacture 4m GSM mobile telephones a year from 1997.

KNP BT, the paper and packaging group, rose Fl 1.90 or 4.3 per cent to Fl 46.10 as its 1995 results exceeded expectations.

Unilever lost another Fl 1.60 to Fl 225.10 in a further reaction to Tuesday's figures.

FRANKFURT started at its worst and ended near its best. The Dax index bottomed early at 2,358.49 as Bremer Vulkan filed for insolvency, and closed 28.58 or 1.2 per cent ahead at an Ibis-indicated 2,401.59 after modest gains in bunds and the dollar, and the rebound in the Dow. Turnover rose from DM6.3bn to DM8bn.

The Bremen-based shipbuilder slid another DM13.55 or more than 46 per cent to DM15.75. One of its main creditors, Commerzbank, hit an early low of DM328, but traders downplayed the Bremer effect and the bank's shares finished DM2.10 ahead at DM336.

Company results began to count. SAP, the computer software group, saw its prefs up DM8.30 or 3.8 per cent to DM225.50. Ms Jadwiga Bobrowska at Merck Finck in Düsseldorf thought this might be a delayed reaction to the 50 per cent dividend rise announced at the weekend.

Meanwhile, Puma, the sportswear manufacturer, announced near-doubled profits, took its shares up DM12 to DM436 and dragged Adidas up by DM2.55 to DM90.25.

MADRID ran up its gas and electrical utilities, and Telefónica by Pta60 to Pta1,925, as the general index set a new all-time high, up 4.20 at 338.67.

Gas Natural rose Pta12.50 or 6.4 per cent to Pta20,950. Demand for gas was going to grow extremely rapidly in Spain over the next five to seven years, said Mr Peter Planting-Gyllenbaga at CS First Boston; he downgraded Sevillana, and the stock stood still at Pta915 as electrical utilities gained 2.1 per cent.

MILAN was encouraged by January inflation data which showed a slight decline month-on-month decline. The Comit index finished up 5.02 at 589.29 after the data lifted the currency and bond markets.

Fiat fell L87 to L5,095, Olivetti was up L10.9 at L925 and Montedison moved forward L4.2 to L915.

STOCKHOLM featured a 4.4 per cent gain in Astra A, up SKr12.50 at SKr296 on a 25 per cent profits gain, and on news of an upcoming US listing. Ericsson Bs rose SKr4 to SKr142.50 but Volvo's results came in below expectations and the carmaker fell SKr2 to SKr134.50 as the Affärsvärlden General index closed 22.8 or 1.3 per cent higher at 1,803.6.

OSLO matched Stockholm, with the total index up 9.77 at 765.52.

The seismic group Petroleum Geo-Services was up NKr11.50 to NKr161.50, after NKr167, following a company presentation. Norsk Hydro rallied NKr5 to NKr268.50, and Kvaerner A by NKr8 to NKr218.

Written and edited by William Cochrane and John Pitt

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

Feb 21 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1512.45	1513.14	1514.04	1515.41	1518.93	1520.84	1521.94	1521.59
FT-SE Eurotrack 200	1624.35	1623.29	1623.12	1626.54	1626.36	1628.61	1629.20	1630.05

	Feb 20	Feb 19	Feb 16	Feb 15	Feb 14
FT-SE Eurotrack 100	1510.94	1520.51	1536.16	1537.82	1548.07
FT-SE Eurotrack 200	1623.43	1639.28	1656.88	1658.35	1663.46

Base value 1000 (26/10/90) High/day: 100 - 1522.40; 200 - 1630.54 Low/day: 100 - 1512.45 200 - 1622.41. † Partial.

ASIA PACIFIC

Nikkei down 1.4% on domestic selling

Tokyo

Share prices fell for the fifth consecutive day, dragging the Nikkei average to its lowest close since January 24 amid selling by domestic corporate investors and arbitrage-linked trading, *writes Gwen Robinson in Tokyo.*

The 225-share index ended 283.44 or 1.4 per cent lower at 20,372.23 after moving between 20,322.30 and 20,655.27. The decline was the sharpest so far this year and was driven largely by heavy selling of Nikkei-225 futures, which prompted investors to unwind *long arbitrage positions.*

Concern over external factors such as the overnight plunge in New York stocks and volatility in commodity markets, where gold prices fell while crude oil surged, drove many participants to the sidelines.

The 225 index incurred a further decline in the afternoon due to heavy selling by disappointed brokers who had expected buying by public fund managers. In recent sessions public fund managers at trust banks had contributed to holding down overall market losses, according to market analysts.

Volume came to an estimated 334m shares on the first section, against Tuesday's 336.48m. The Topix index of all first section stocks dropped 17.20 to 1,572.71 and the capital-weighted Nikkei 300 shed 3.40 to 294.15. Declines far outpaced rises by 839 to 219, with 161 issues unchanged.

There was some foreign buying of shipbuilders and auto-parts makers, although foreign investors had moved recently from active support of the market to a wait-and-see position. Domestic institutional investors stayed on the sell side.

Technology stocks remained sluggish, although Sony reversed its slide of the previous two days, climbing Y140 to Y6,340. Pioneer, which fell Y140 on Tuesday due to a larger than expected revision of losses for the current business year, rebounded Y40 to Y2,030.

The sharp fall in gold prices pushed down non-ferrous metal shares. Sumitomo Metal Mining lost Y30 at Y980. Carmakers continued to suffer selling pressure following the yen's recent appreciation, Toyota slipping Y30 to Y2,290 and Nissan Y15 to Y824.

Banks further weakened on continuing concern about the government's bail-out plan for housing loan companies. Dai-Ichi Kangyo Bank dropped Y40 to Y2,020 after losing Y30 on Tuesday.

In Osaka, the OSE average declined 160.90 to 21,545.24 in volume of 45.94m shares.

Roundup

Bombay joined the holiday crowd, but Seoul came back to work.

SYDNEY managed to pull itself off early lows on late buying and the All Ordinaries index lost a net 7.3 at 2,238.2. Turnover was A$306.1m.

Banks and gold shares were among the hardest hit, National Australia Bank receding 30 cents to A$12.10 and Plutonic Resources, the gold miner, by 25 cents to A$7.00.

The golds index fell 2.8 per cent, while the banking sector lost 2.2 per cent.

News Corporation, the international media and entertainment company controlled by Mr Rupert Murdoch, bucked the day's trend, jumping 24 cents to A$7.36. Some brokers suggested that the gain could be attributed to a number of factors, including a rumour that one of News Corp's UK tabloid newspapers was to lift its advertising rates.

St George Bank was another climber, adding 30 cents to Tuesday's 10 per cent rise, and closing at A$8.80 as National Australia Bank said it had built a 5.8 per cent stake. NAB made it clear that it harboured no intention at present to mount a full takeover bid.

WELLINGTON reflected high short-term interest rates and a weakening Dow, but a late rally brought the NZSE-40 index back from a 17-point decline to finish 8.52 off on balance at 2,082.51.

Brokers said interest rates were "too attractive" for investors, with a guaranteed return of 8.63 per cent on 90-day bank bills at current levels.

BANGKOK eased slightly in thin trade, the SET index losing 5.58 to 1,379.38 in turnover of only Bt3.3bn. The communications sector retreated as a consequence of a fall of Bt10 in United Communication Industry to Bt364.

COLOMBO saw the all-share index close just 0.70 softer at 655.33, with turnover, in spite of block trades, down from SRs26.62m to SRs13.60m.

MANILA, on the other hand, calculated that foreign funds might return today after the long Chinese New Year holiday, and the composite index gained 12.94 at 2,936.65 after languishing in negative territory for most of the session.

SEOUL was slightly easier, with some heavy falls seen among blue chips. The composite index dipped 6.08 to 883.31. Korea Electric Power shed 2 per cent to Won28,900 and Pohang Iron and Steel lost 1.5 per cent to Won51,900.

هكذا في الأصل

ARTS

A week of extremes for the British cinema: from heritage to heroin, stiff upper lip to bulging vein, soothing sopranos to hallucinogenic synthesisers. The journey from Ang Lee's *Sense and Sensibility* to Danny Boyle's *Trainspotting* is historically jolting, cinematically fascinating. Yet here are two – arguably the only two – strands of British film-making at their best, the elegant period-piece and the degenerate drug-fest. Chances are you will love one, hate the other; yet both are compelling pieces.

First, the pleasantries. Emma Thompson's intelligent adaptation of Jane Austen's exquisitely-shaped novel offers routine comfort to admirers of this well-tried genre. It is hard not to admire the easy grace and classy understatement which Lee elicits from his cast; but one perhaps expected more from a director who was specifically brought in to provide a non-English perspective to the proceedings.

Thompson also plays Elinor Dashwood, the eldest of the three sisters caught in a delicate *ronde* of romance, deceit and betrayal, and by some distance the most sensible head bobbing in a sea of fragile hearts. Elinor, dignified, intelligent, sensitive, is the key to book and film, and Thompson rises easily to the challenge.

The best of British: Ewan McGregor in Danny Boyle's degenerate drug-fest, 'Trainspotting'; and Kate Winslet and Emma Thompson in 'Sense and Sensibility', all period-piece elegance

Cinema

Bulging vein or stiff upper lip

Not that her performance is flawless; she has made the repression of emotion something of a career party-piece, and some of her mannerisms, lingered over rather too lovingly by Lee, are irritatingly familiar. She also occasionally moves into a different gear from her fellow actors, her speech patterns taking an uncomfortably modern inflection. Yet just as one's doubts begin to become conspicuous, out comes a magnificent final scene of such emotional rawness that it takes the breath away.

Thompson's weakest moments come in her nervous sparring with Hugh Grant's stuttering Edward Ferrars. Once again, over-familiarity is to blame; Grant's robotic carriage – Prince Charles with concrete in his breeches – and mannered attempts at quiet charm vary little from film to film, and Lee should have been ruthless enough not to fall for them.

In fact, apart from a couple of unusual camera angles and a splendidly high-gothic sprained ankle scene, the director's presence is unobtrusive, as if weighed down by all that Brit-thesp tradition. Best of a solid supporting cast are Kate Winslet, who gives the impulsive Marianne depth and credibility, and Alan Rickman's brooding Colonel Brandon, who accomplishes a great deal by talking twice as slowly as anyone else.

The opening sentence of Austen's novel – "The family of Dashwood had been long settled in Sussex" – is the kind of thing scholars like to discuss for hours, swirling every word round their tongues to savour fully that famous ironic aftertaste. *Trainspotting* too begins notably; though Boyle's scabrous adaptation of Irvine Welsh's novel has the adrenalin rush of substances foreign to most palates.

Renton (Ewan McGregor) is being chased through the streets of Edinburgh by a thumping Iggy Pop soundtrack and his own reflections on why his "sincere and truthful" junk habit beats the banal trappings of most working lives. All this in about the time it takes Hugh Grant to think of his next preposition.

But the pace scarcely lets up. Boyle's film is in turns pathetic, funny, honest and close-to-unwatchably revolting. It is episodic in structure – Renton and his friends do little more than indulge in their habit, try to kick their habit, return to their habit. There is a very minor plot development in the final reel, and an almost touching ending.

But *Trainspotting*, from the writer-director-producer team responsible for *Shallow Grave*, is primarily about taking heroin. It is occasionally seen as a pleasurable activity; yet there is plenty of grimness and sordidness around. Boyle's master-stroke is to spurn the obvious route of social realism and use thrillingly abrupt changes of set, tone and mood.

There is, for example, a sex scene set to an Archie Gemmill goal. There is a vicar who unknowingly quotes Iggy Pop in a funeral oration. In an early scene, our stomachs are severely tested when Renton mistakenly "passes" two suppositories which he tries desperately to retrieve. It is an unequivocably disgusting moment, but just as you think you can take no more, it turns exquisitely lyrical.

SENSE AND SENSIBILITY (U)
Ang Lee

TRAINSPOTTING (18)
Danny Boyle

CASINO (18)
Martin Scorsese

Add to Boyle's visual flair the best use of a rock soundtrack since *Mean Streets* and a script with some very funny moments – most notably in a why-it-is-hell-to-be-Scottish sequence – and you have a film of rare visceral power. If you are really brave, you could try to see it straight after *Sense and Sensibility* and come away with a special understanding of the gulfs in British culture, or even a new-found lust for life.

Peter Aspden

The founders of Las Vegas were America's answer to Horatio Nelson. "I see no desert," they cried, clapping binoculars to blind eyes. And they built a glittering gambling heaven in a place designed by nature for snakes and cacti.

In *Casino* Martin Scorsese gives us Paradise, Nevada, half a century on. Robert De Niro, in a dazzle of dayglo jackets, is the Jewish-Italian casino boss supervising corruption in his 1970s palace. Joe Pesci, reprising his foulmouthed human beetle from *Goodfellas*, is his partner in violence, using anything from fists to cattle-prods on difficult customers. And Sharon Stone storms across the screen, showing that Hollywood hath no fury like a female star allowed to act after years of knicker-removal.

As De Niro's headstrong ex-prostitute wife, driven to drink, drugs and tantrums by a disenchanted married life, Stone gives this three-hour film the kiss of novelty it sorely needs. Nicknamed *Goodfellas 2* by some, it shares the same screenwriter, Nicholas Pileggi, the same eclectic expressionism of style (from the tumbling of giant slow-motion dice to Bach's St Matthew Passion on the soundtrack) and the same male double act at the centre.

Like Barry Levinson's *Bugsy*, Scorsese's film wants to capture the infernal romance of Las Vegas before it became today's all-family theme park. So *Casino* is partly about that old standby, honour among villains. The hotheaded Pesci is forgiven everything but betrayal, and "Can I trust you?" becomes De Niro's catechistic catch-phrase to the flighty, spendthrift Stone. Partly too, the film is about serenity under pressure. We know that De Niro will be blown up by a car bomb: it happens in flash-forward at the beginning. So the main story becomes a dance of fate whose rhythm counterpoints absurdist stoicism (De Niro) with a self-destruct, almost equally absurdist, spontaneity (Stone).

If *Casino* is *Goodfellas 2*, Stone replaces Ray Liotta as the gangland conscript whose fallible humanity unravels a world of smooth-running evil. Stone scampers terrifically through her role. She weeps, roars, hisses, flounces; she clutches her jewels and furcoats as if they were her life. But no one in this film ultimately has a life: not because its message is about dehumanisation, but because a Scorsese busy erecting his same-again Mafia architecture has failed to notice that the true, fresh and real have fallen into the foundationwork.

Nigel Andrews

Ballet

'Beauty' fifty years on

The court of King Florestan XXIV has never looked grander at Covent Garden than it did at Tuesday night's gala to commemorate the reopening of the Opera House 50 years ago. In a gesture graceful and grateful, the Royal Ballet invited 29 members of the 1946 cast to sit on stage and watch the third act. Happily, too, the Queen – who was there on February 20 1946 – was again in the Royal box.

Certain sympathies are owed to the present dancers, being surveyed at closest quarters by our ballet's illustrious past, but it was a pleasure to see these artists once more. It tore at the heart a bit to recall Pamela May's golden Aurora – an interpretation of radiant nobility; to remember Violetta Elvin's debut and the excitement of discovering her eloquent Bolshoi style; to see Dame Beryl Grey and be aware once more of her generosity and grace as the Lilac Fairy; to watch Nadia Nerina sitting beautifully poised, and remember that from being a little nursemaid by the cradle in 1946's Prologue she became one of the most brilliant of Auroras. And there was Leslie Edwards, the ideal and only Catalabutte, his presence as vivid when watching today's dancers as when he danced with them, an exemplar of dignity and aptness in mime.

To those of us who grew up with the company at Covent Garden, nostalgia was one of the fairies at the Christening. How much we owe to these artists who worked with such distinction to bring our national ballet to greatness. And, as crown of the evening, Dame Ninette de Valois appeared on stage in her 98th year: still "Madam" to us, audience as well as dancers, to whom she gave classical ballet in Britain. We cheered. In the years of her directorate, I used to look up to the company box to be reassured by the glimpse of her intent profile turned towards the stage. She was there; all was well. Involuntarily, I did so again on Tuesday, aware that she was in the audience – not in the box, but still a commanding presence. (In the programme, dancer Richard Ellis recalls how in December 1945, just one week demobilised after five years naval service, he saw Dame Ninette, who immediately called him back to the company. "Rehearsals start next week!". This is the stuff of greatness).

The performance was led by Darcey Bussell. Her Aurora was worthy of the artists who were watching her from the side-lines. It is a portrait superb in shape, brilliant and sweet in effects, very much of the 1990s in its generous youthful scale. I find it a little unsophisticated as yet, but Bussell's dancing is sunlit, brave, and entirely worthy of the occasion.

About the staging, I would cite a comment overheard by Sir Philip Sassoon in the 1930s, when a guide was taking visitors over his house. "All in the old world style, and every bit of it sham".

Clement Crisp

Sponsored by Bankers Trust.

Theatre/**Alastair Macaulay**

Old relationships seen in a new light

This week has brought to the West End two plays – Neil Simon's *Chapter Two* and David Hare's *Skylight* – about the love problems experienced by a mature man and woman. In both *Chapter Two* and *Skylight*, the man is a widower; and both plays are amusing and tender.

Terrifically cute and terrifically sentimental, *Chapter Two* is as harmless an entertainment as the West End currently has to offer. No rude language, no boring bits, no politics, no emotion you have not felt a million times before. Sharon Gless is perfectly charming, and Tom Conti does nothing worse than wear the wig and the jeans from Hell. You could take your entire family and be fairly sure that everyone would have forgotten it the morning afterwards.

Neil Simon is a shrewd manipulator of his audience. First, as *Chapter Two* demonstrates, he softens us up by a busy supply of jokes. Then he mixes jokes with a tender emotional situation in rapid alternation. Then, having softened us and warmed us to a nice heat, he coats us with the rich treacle of adult emotionalism.

George Schneider's wife Barbara has died; he misses her terribly. Jennie Malone has just come through a divorce; she is desolate. Egged on by Leo and Faye, George and Jennie start to go out on a few dates with other people, reluctantly and unsuccessfully. Nothing could be cuter than the accident whereby they find themselves speaking to each other for the first time on the phone. Whirlwind romance, sudden marriage, post-marital blip, temporary separation, happy ending.

The best thing here, as always with Simon, are the jokes. Jennie explains that she is an actress. George, a novelist, is unimpressed, but says "Actresses can be very ... er ... er ..." Jennie cuts him short: "Well, I'm sure that's an overstatement, but thank you all the same." The worst thing, especially in Act Two, is the winsome Parthian shots all four characters like to make. George says to Jennie, "You know, we may have one of the most beautiful marriages that was ever in trouble," as he chooses to walk out on her.

Conti is a skilful player, in his under-energised way. He knows, for example, how to draw all the attention to himself while he is listening to someone else. I wish I found him appealing; or convincing. Sharon Gless is very appealing indeed. She alone brings *Chapter Two* some of the moral weight that once distinguished the best tradition of American romantic comedy. Ian Redford, bluff and amiable, sounds too un-American to be Leo, but Debora Weston is simply splendid as the robust Faye. If this comedy were on TV she would soon be given a spin-off series of her own.

★

Skylight, unlike *Chapter Two*, rattles around in your head afterwards. It is far more serious for several reasons, but mainly because it is emotionally much more realistic – which is why it is also much more funny. And the ending has just the kind of surprising neatness and sentimentality that Neil Simon would adore.

It has faults. The central character of Kyra is less individualised than the father and son who enter her flat during the play. In half her big scenes with Tom (the father, and her ex-lover), as she explains why she prefers living alone in discomfort and teaching to being his mistress and living in comfort, she starts to turn into a modern liberal Everywoman before our very ears. It is easier to believe in why the Tom-Kyra romance will no longer work than in why it once did. John Gunter's designs distract us with odd questions about the spaces offstage. But you can admit all that, and still enjoy *Skylight*.

"There is no peace in you," Kyra says to Tom. The remark sheds light on all that has gone before. Tom – superlatively played by Michael Gambon – is ceaselessly energetic. He is a materialist, a self-made man who has set up a chain of successful restaurants, a man who believes in self-fulfilment. Kyra, though she was his secret mistress, believes in helping others to fulfil themselves. The dialectic between the two – sometimes close to that in a Shaw play – carries on even after he has gone. Sure, this is Thatcherism meeting socialism; but the best passages are when we can concentrate on these two specific people. Paradoxically, it is Tom whom Hare, for all his social conscience, makes more credible.

It is highly interesting to compare the way the two characters are played, in Richard Eyre's excellent staging. Lia Williams's performance, perfectly focused, makes us feel that there are thousands of women just like Kyra. But Gambon makes us feel that there is no one in the world with all the details of Tom's nervous system and physical energy and invigorating wit. Not since *The View from the Bridge* in 1987 have we seen Gambon act with this power. Sometimes both Gambon and Williams turn up the theatricality a little too evidently. But you hang on what Kyra and Tom have to say. It matters to you; and you are put through the mill.

Chapter Two is at the Gielgud Theatre, *Skylight* at Wyndhams.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-5730573
● Schoenberg Ensemble: with conductor Reinbert de Leeuw perform works by Satie, Milhaud, Hindemith and Antheil; 4pm; Feb 25

■ BERLIN

CONCERT
Konzerthaus
Tel: 49-30-203092100/01
● Heinz Schunk and Amalie Malling: the violinist and pianist perform works by Schubert, Beethoven and Franck; 7.30pm; Feb 23
Philharmonie & Kammermusiksaal
Tel: 49-30-254880
● Sinfonie Orchester Berlin: with conductor Jon Bara Johansen and pianist Susumu Aoyagi perform works by Weber, Brahms and R. Schumann; 8pm; Feb 24
OPERA
Deutsche Oper Berlin
Tel: 49-30-3438401
● Madama Butterfly: by Puccini. Conducted by Johan M. Arnell and performed by the Deutsche Oper Berlin. Soloists include Beate Bilandzija, Marcia Bellamy and Lenus Carlson; 7.30pm; Feb 28
Komische Oper Tel: 49-30-202600
● The Legend of Tsar Saltan: by Rimsky-Korsakov. Conducted by Jurowski and performed by the Komische Oper Berlin; 6pm; Feb 24
Staatsoper unter den Linden
Tel: 49-30-2082861
● Cleopatra e Cesare: by Graun. Conducted by Alessandro DeMarchi and performed by Concerto Köln and the Tölzer Sängerknaben. Soloists include Rayam, Williams, Dawson, Vermillion, Francis, Popken and Häger; 6.30pm; Feb 25, 28 (7pm)

■ COLOGNE

CONCERT
Kölner Philharmonie
Tel: 49-221-2040820
● Musik des 20. Jahrhunderts: die 50er Jahre: clarinettist Eduard Brunner and pianist Siegfried Mauser perform works from the 1950s by Lourie, Scelsi, Martinu, Penderecki and Feldman; 11am; Feb 25
OPERA
Opernhaus Tel: 49-221-2218240
● Eugene Onegin: by Tchaikovsky. Conducted by David Levi and performed by the Oper Köln. Soloists include Andrea Andonian, Susan Anthony, Dalia Schaechter, Luisa Bosabalian and Andrzej Dobber; 7.30pm; Feb 24

■ HAMBURG

DANCE
Hamburgische Staatsoper
Tel: 49-40-351721
● Hamburg Ballett: perform a choreography by John Neumeier to Mahler's Symphony No.9; 8pm; Feb 24, 26, 28

■ LONDON

CONCERT
Wigmore Hall Tel: 44-171-9352141
● Andrew Wilde: the pianist performs Beethoven's Sonata in C, Op.2, No.3 and Sonata in A flat, Op.110; 7.30pm; Feb 23
EXHIBITION
National Portrait Gallery
Tel: 44-171-3060055
● The Room In View: this exhibition explores the importance of the background and its contribution to the image of the sitter. The paintings, drawings and photographs on show span three centuries and are organised in four sections: artists at work, scientists at work, other people at work, and people at rest; from Feb 23 to Jun 2
OPERA
London Coliseum
Tel: 44-171-8360111
● Tristan und Isolde: by Wagner. Conducted by Mark Elder and performed by the English National Opera. Soloists include George Gray, Elizabeth Connell, Susan Parry and Gwynne Howell; 5pm; Feb 24, 28

■ LYON

OPERA
Opéra de Lyon Tel: 33-72 00 45 45
● Die Zauberflöte: by Mozart. Conducted by Kent Nagano and performed by the Opéra de Lyon. Soloists include Christiane Oelze, Veronica Cangemi, Natalie Dessay and Thomas Mohr; 7.30pm; Feb 23

■ NEW YORK

CONCERT
Avery Fisher Hall
Tel: 1-212-875-5030
● Andre Watts: the pianist performs works by J.S. Bach, Schubert, Chopin, Poulenc and Liszt; 7.30pm; Feb 25
The Metropolitan Museum of Art
Tel: 1-212-879-5500
● Juilliard String Quartet: perform Beethoven's String Quartet in F major, Op.18 No.1, String Quartet in A minor, Op.132, and String Quartet in C major, Op.59 No.3; 8pm; Feb 23
EXHIBITION
Brooklyn Museum
Tel: 1-718-638-5000
● Alone in a Crowd: Prints by African-American Artists of the 1930s-40s from the Collection of Reba and Dave Williams: this travelling exhibition explores the contribution of African-American artists to the art of printmaking and offers a view of African-American life during the 1930s and 1940s; from Feb 23 to Apr 21
OPERA
Metropolitan Opera House
Tel: 1-212-362-6000
● Aida: by Verdi. Conducted by Christian Badea and performed by the Metropolitan Opera. Soloists include Nina Rautio, Stefania Toczyska, Michael Sylvester and Juan Pons; 8pm; Feb 24

■ OSLO

OPERA
Norske Opera Tel: 47-22-429475
● Mysteries: by Kvandal. Conducted by Kjell Ingebretsen and performed by the Norwegian National Opera; 6pm; Feb 24

■ PARIS

CONCERT
Salle Pleyel Tel: 33-1 45 61 53 00
● Carmina Burana: by Orff. Performed by the Orchestre et Chorale Paul Kuentz with conductor Paul Kuentz. Soloists include soprano Elizabeth Vidal and baritone André Cognet; 8.30pm; Feb 24, 25 (5.30pm)
Théâtre du Châtelet
Tel: 33-1 42 33 00 00
● David Lively: the pianist performs works by J.S. Bach and Chopin; 0.45pm; Feb 23
EXHIBITION
Musée des Arts Décoratifs
Tel: 33-1 44 55 57 50
● Un diamant dans la ville: exhibition featuring jewellery designed by Jean Schlumberger (1907-1987); to Feb 25
OPERA
Théâtre des Champs-Elysées
Tel: 33-1 49 52 50 50
● Prince Igor: by Borodin. Conducted by Alexander Titov and performed by the orchestra, choir and ballet of the Kirov Opera. Soloists include Sergei Alexachkine, Irina Bogatcheva, Olga Borodina and Gennadi Bezzoubnkov; 7.30pm; Feb 23

■ STOCKHOLM

OPERA
Kungliga Teatern - Royal Swedish Opera House Tel: 46-8-7914300
● Tosca: by Puccini. Conducted by Leif Segerstam and performed by the Royal Opera Stockholm. Soloists include Siv Wennberg, Kurt Westi and Curt Appelgren; 6pm; Feb 24

■ STUTTGART

OPERA
Staatstheater Stuttgart
Tel: 49-711-20320
● Die Dreigroschenoper: by Weill. Conducted by Löffler. Soloists include Buss, Findeis, Hentschel, Jett and Meguid; 7.30pm; Feb 23, 28

■ SYDNEY

OPERA
Drama Theatre, Opera Theatre, Playhouse Tel: 61-2-250-7127
● The Australian Opera: with conductor Vladimir Kamirski perform Mascagni's Cavalleria Rusticana and Leoncavallo's Pagliacci; 7.30pm; Feb 24, 26

■ VALENCIA

CONCERT
Palau de la Música i Congressos
Tel: 34-6-3375020
● Orquesta de Valencia: with conductor Alvaro Cassuto and pianist Maria Monreal perform works by Santos and Prokofiev; 8.15pm; Feb 23

■ ZURICH

DANCE
Opernhaus Zürich
Tel: 41-1-268 6666
● Das Zürcher Ballett: perform Beriozoff's Der Feuervogel to music by Stravinsky, Van Manen's Polish Pieces to music by Gorecki, and Bienert's Bolero to music by Ravel; 7.30pm; Feb 23

WORLD SERVICE
BBC for Europe can be received in western Europe on Medium Wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV
(Central European Time)
MONDAY TO FRIDAY

NBC/Super Channel:

07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 14.00 of European business and the financial markets

17.30
Financial Times Business Tonight

Midnight
Financial Times Business Tonight

Peter Martin

The death of geography

The combination of telecommunications, computing power and discriminating consumers is producing a profound change in the company-customer relationship

The winter sun glints on the dome of the world's only non-denominational cathedral. Across the way, Japanese cars glide past unidentifiable glass buildings. Inside the bland but pleasant offices, endlessly ringing telephones are answered in a babel of languages. It is a shrine to that misty business concept, the Death of Geography.

Few places embody the concept more clearly than the offices of the Merchants Group, a management consultancy based in Milton Keynes, just north of London. Merchants specialises in "customer management", which usually means setting up computer-assisted call centres, where specially trained telephone staff handle customers' queries, requests or orders.

There are hundreds of big call centres in Britain alone. And as large companies increasingly integrate their European operations, there is a steady growth in the number of pan-European multilingual call centres. Usually companies set up their own internal operations; sometimes they outsource the task to suppliers such as Merchants.

The next time the phone rings in Milton Keynes, it is a Danish customer of an American computer-printer maker, dialling a local number in Denmark. He is answered by a native Danish speaker, who calls up a Danish-language database of possible responses and likely diagnoses. If the answer is not in the local computer, the operator can turn to the parent company's database in Oregon. And if the problem requires more expertise, it can be passed to a specialist technician.

This is the glamorous end of the business. There is also a more routine aspect; and a more revolutionary one. At the routine end is the process of treating the telephone as the primary means of contact with a customer, a task being tackled with varying degrees of enthusiasm by a wide range of businesses, especially Britain's privatised utilities.

Doing this means setting up proper systems to handle telephone calls. It means disentangling the task of handling customer queries from a dozen different responsibilities with which it has traditionally been intertwined.

It means gathering enough data on customers – who they are and what they want – to give the operators a chance to respond competently. It means acquiring high-tech equipment: automated call directors to send the call to the right operator, and computers which pull up customer details on the screen as soon as a caller's phone number is recognised. And it means writing computerised scripts, selecting staff mature enough to cope with difficult customers, motivating them, and assuring the quality and consistency of the service they offer.

At the revolutionary end, the call centre offers the potential of creating entirely new business models, cutting out large elements of the cost of traditional product delivery systems. Direct Line insurance and First Direct banking in the UK. Comdirect and Bank 24's direct banking in Germany, AMP's new PriorityOne home-loan business in Australia, and a host of other new businesses round the world illustrate the potential.

Financial services are a particularly attractive sector for this approach, but the growth of third-party logistics services – to handle warehousing and shipping – makes it feasible in more traditional manufacturing businesses as well.

Most businesses setting out to overhaul their customer management will fall somewhere in between the routine and the revolutionary. Although the tasks involved in setting up a call centre should not be underestimated, they are in some ways just the tip of the iceberg.

Once customers are encouraged to deal with their suppliers by phone, their expectations undergo a marked shift. Telephone contact implies immediacy and responsiveness. A traditional one-week or two-week cycle in dealing with orders, complaints or requests is no longer good enough.

"Once you can get a pizza in a guaranteed 30 minutes, a phone and a credit card become useful," says Mr Paul Scott, head of Merchants' consulting services. "But there is no point in offering people a next-day pizza delivery service."

Traditionally, companies have seen a telephone contact as an inferior experience to a face-to-face contact with a local rep. But if the telephone contact is friendly and well-informed, and achieves speedier, more effective results than a visit from a rep, it may actually be something that the customers prefer. To achieve this, however, requires more than simply recruiting some friendly telephone operators: it may also mean a complete overhaul of all the company's business processes, to deliver the service that a telephone contact implicitly promises.

There is another way in which shifting to a call centre approach may change the fundamental business. It requires companies to face up to the extent to which they have, and can expect to have, a relationship with their customers. Companies often over-estimate both the intensity and the warmth of their customer relationships. Yet they have no hesitation in planning elaborate expansion centred on exploiting an existing customer base – without establishing whether their customer relationships can really bear the weight of the extra products and services they hope to sell.

Utilities which hope to move from providing, say, water to selling also gas and electricity rely on the strength of the customer relationship to give them an edge in newly competitive markets. To do this, they need to be sure that customers regard the relationship as a benefit, not a burden to be escaped as soon as deregulation permits. And that, in turn, requires overhauling the whole of service delivery – not merely the tone of voice on the telephone.

What are the wider implications of this quiet trend? The most seductive is the concept of the Death of Geography: customers' physical location becomes irrelevant to their ability to receive seamless service from their chosen suppliers. Paradoxically, that means a much greater degree of attention to what the customers' location or nationality is likely to mean about their expectations, legal entitlements, tastes and requirements. In a geography-bound distribution system, such national issues are largely implicit, imbibed by the country staff with their mothers' milk. Once service is to be supplied at a distance, these issues must be explicitly identified and addressed in the central database.

It also requires companies to achieve global integration of their processes and databases. Mobile consumers increasingly expect this, but it is seldom attained in practice.

Successful international companies have managed to build global brands for products and to some extent for services. They have rarely managed to impose the same degree of standardised quality on the customer experience, but may increasingly have to do so.

There is one other implication: many service jobs are likely to become exportable, just as those in manufacturing industry have been in recent decades. Already, countries like Ireland and cities such as Amsterdam have started aggressively bidding for business as pan-European call centre locations. You do not have to be a full-fledged believer in the Death of Geography to see the opportunities – and threats.

At a more mundane level, the lesson of Milton Keynes, and the hundreds of other call centres, is that the combination of telecommunications, computing power and ever more discriminating consumers – trends which are individually unremarkable – are producing a profound change in the relationship between companies and their customers. Call centres are merely one, particularly vivid, symptom of this wider change.

BOOK REVIEW · John Gapper

ROGUE TRADER by Nick Leeson with Edward Whitley
Little, Brown and Company. £16.99

Where the facts are traded fast and loose

Some people are just plain unlucky. Nick Leeson seems to be one of them. A friend does something obscene to a girl in a bar, and Leeson gets hit over the head with a chair. Another suggests they drop their trousers in another bar, and he ends up in a police cell. Then he is stuck on a trading floor by management yes-men to supervise a bunch of idiotic traders. The next thing you know, there is a bill for £830m.

It is always somebody else's fault. So why does it have to be Nick Leeson who is left with the damage? Probably because he is working for a merchant bank run by a toff called Peter Baring who repeats the same phrase over and over again, like his needle is stuck: something about it being easy to make money in securities markets. Huh! Nick Leeson could tell him a thing or two.

This is Nick Leeson's account of how he pulled off one of the most spectacular financial frauds of modern times by whipping up a brew of truths, half-truths, evasions and deceptions. It fooled those around him, for which they are soundly castigated in the book. However, this account reads like a similarly unreliable brew, which the reader would be advised to take with a pinch of salt.

This is a shame, for there are parts of this book that are compellingly written, and touching. These may be the work of Edward Whitley, the ghost writer. It is hard to believe that the Leeson of page 79 who talks eloquently of a hermetically-sealed world "where I breathed no fresh air and handled no real money" is the same one who paints such one-dimensional portraits elsewhere of those around him.

It could be that Leeson is simply a lot more interested in himself than anyone else. The only two people for whom he has a consistently good word are his wife and Danny Argyropoulos, a trader who worked with him on the floor of the Simex futures exchange. Apart from them, everyone is either too stupid to notice what is going on, or spends their time letting Leeson down.

A notable example is Tony Railton, the settlements clerk sent out from London in the last days of the deception. Although Leeson does not mention it, Railton had previously worked with him at Morgan Stanley, and came to Barings partly because Leeson encouraged him. The thanks he gets for this is to be portrayed as an over-eager, overweight buffoon.

Of course, Leeson is right in his underlying argument that he should have been stopped. Although the tale has often been told, it still takes the breath away to read how he was sent up to $10m a day from London simply because he asked for it. In that sense, Barings executives deserve to be portrayed as making the Keystone Cops look like a crack squad of Marines.

The actions of some of them verge towards something worse than incompetence, if this account is to be believed. Leeson does not assert that anybody was in league with him. But his description of how senior executives meekly accepted his bizarre cover story for the £50m hole in the balance sheet he managed to create by the end of 1994 is simultaneously entertaining and appalling.

But everyone has to account for their own actions and Leeson's attempt to do so is woefully inadequate. The book does not answer convincingly either of the two questions to which he has the most authoritative answers: exactly what he was up to, and why. It provides partial answers, but the reader is left with the vague feeling that there is a lot Leeson is not telling.

As to what he was doing, his sequence of events is: he is told by London to open a hidden error account; other traders make mistakes around him: he does some minor book-keeping frauds to conceal them; the idiots make more mistakes; he sells some options to get money to cover the hole; London sends him money as well; he finally bets the bank to hold up a sagging market.

There is something missing here. Amid all this chaos, Leeson is emerging as a star trader, and is given a £450,000 bonus at the end of 1994. But how is he doing it? Presumably the secret of his success lies in his error account 88888, but Leeson does not enlighten us beyond a single description of using 88888 to hide losses caused by offering one customer an impossibly good price on some options.

As to why, the book is even more hazy. Leeson flirts with some self-analysis about having to support his family after his mother dies. He also talks of not being able to stand failure, and complains: "Why did I always have to be the one to appear strong?" But he cannot explain why he failed to stop himself before nemesis. "It had become an addiction," is the best he offers.

At times, the book plays fast and loose with the facts. In one of his many references to Peter Baring's offhand comment about the ease of money-making in securities, Leeson talks of dreaming about the remark last February, although the phrase only emerged later in the Bank of England report. Perhaps that is artistic licence, but it rather undermines his lofty claim that "this story is a true one".

In the end, Leeson the author comes across like Leeson the trader. Fast, slapdash, with a certain charm, but full of empty claims and braggadocio. To read this book is to be thrust on to a literary trading floor on which facts are traded like futures and options. Leeson has many to trade, and does so with vigour and aggression, but the reader is still left wondering which others he is concealing.

·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

Increased aid to eastern Europe must not mean that poorest nations are sold short

From Mrs Glenys Kinnock MEP.

Sir, With reference to your report "Minister speaks out against cut in overseas aid" (February 15), let us not forget that Baroness Chalker, minister for overseas development, has overseen the emasculation of Britain's overseas aid budget – the biggest cut for 50 years. Since 1979 it has been halved and is well below the average in the European Union and looks on course for further cuts.

During the discussions concerning the European Development Fund for African and Pacific areas, Baroness Chalker argued that the government wished to concentrate on bilateral assistance. Now we see that this too is to be slashed.

Over the next five years, total EU foreign assistance is set to be more than Ecu27bn, nearly twice the amount originally proposed but rejected for the EDF. The money is there – it's a question of where it is being used.

The facts belie claims made by Baroness Chalker and others that they are resisting too much of EU aid going through Brussels. Total EU aid has doubled over the last decade, but the EDF share of the total has shrunk sharply.

Some of the growth in the total is accounted for by the funds going to Asia and Latin America. But most of it is due to the rapid expansion of programmes for eastern Europe, the former Soviet Union and the southern Mediterranean, and it is set to rise threefold by the end of the decade over 1990 levels.

The importance of support for eastern and central Europe as they make a difficult economic transition cannot be disputed. But this must not be at the expense of the poorest countries most reliant on aid support – most notably in Africa.

Aid should not be seen as a soft target by governments like our own which, it seems, are prepared to sell the poorest nations short in the interest of a 20p standard rate of income tax.

Glenys Kinnock,
vice-president of the ACP/EU joint assembly,
European Parliament,
97 rue Belliard,
Brussels B-1047, Belgium

Government should distance itself from arms companies

From Mr David Sawers.

Sir, Samuel Brittan is right to point out that the fallacy of mercantilism lay behind the government's efforts to promote arms-related exports, which led to the Scott report ("Bad excuses for arms sales", February 19).

He should have gone further: the underlying problem is the nature of the relationship between government and arms manufacturers. The British government has traditionally seen its role as helping and protecting the defence industry, to ensure that there was a local source of the arms it might want to buy. This attitude was weakened in the 1980s when Mr Michael Heseltine was in charge of the Ministry of Defence and competitive tendering for defence contracts was promoted; but it has recently revived. The Ministry of Defence now has to pay more attention to the effect of its orders on the health of the industry – as was urged in the Technology Foresight report on the industry, which was revealingly titled *Progress Through Partnership*.

Officials and ministers in the Ministry of Defence and Department of Trade and Industry are all too liable to regard themselves as partners of the defence contractors; and, as their partners and friends, they may well be tempted to help them find ways around any obstacles to profitable export sales that the Foreign Office may erect.

A reversal of policies towards defence procurement is the only true protection against repetition of the events that led to the Scott enquiry: a change that puts more distance between the British government and its suppliers of arms, that emphasised international competition for contracts to supply arms, and that eliminated the government's present assistance for exports of arms.

Such a change in policy is more likely to increase than to reduce national income. By increasing competition within a protected sector of the economy, it would promote efficient use of resources.

David Sawers,
"Crosby"
10 Seaview Avenue,
Angmering-on-Sea,
Littlehampton,
West Sussex BN16 1PP, UK

Concern is over partial preferential trade agreements

From Mr Stuart E. Eizenstat.

Sir, I am very concerned by the coverage of the trade portion of my farewell speech to the EU committee of the American Chamber of Commerce ("EU under fire for trade pact proliferation", February 16).

In my remarks I expressed my concern with future partial, preferential trade agreements – that is, two-way agreements that exclude significant sectors such as agriculture. It is these partial agreements which could have a corrosive effect on the multilateral trade system.

My comments should not be construed as opposing customs unions or regional free trade agreements themselves, thereby giving comfort to protectionist forces in Europe or elsewhere in the world. Indeed, the US is proud of the North American Free Trade Agreement, which, over time, eliminates tariffs and quotas in all sectors, including the most sensitive products. We are considering expansion of Nafta and other regional trade liberalising initiatives.

In my view, comprehensive regional trade agreements can and do contribute to multilateral trade liberalisation. In my speech, I specifically noted that in a 1995 communication to the Council of Ministers, the European Commission itself emphasised the new rigour the Uruguay Round brought to the examination of regional trade agreements: namely that they not exclude any important sector, generally phase out all tariffs and quotas in 10 years, and clarified that review of such agreements would be subject to World Trade Organisation dispute settlement. There is now little doubt that to be WTO-consistent, future regional agreements by the EU or by the US must cover substantially all trade and exclude no major sectors.

If that standard cannot be met, WTO members can consider providing improved trade access on a one-way basis. WTO and General Agreement on Tariffs and Trade waivers have been obtained; for example, for inward trade preference regimes of the EU and the US, such as the Lome Agreement and the Caribbean Basin Initiative.

My clear message was simply to emphasise the importance of the EU adhering to WTO requirements, as the US would be expected to do, on the scope of future regional free trade agreements, not to question their potentially important value as a stimulant to multilateral trade liberalisation, which benefits the whole world.

Stuart E. Eizenstat,
US Ambassador to the European Union,
Brussels, Belgium

COMMENT & ANALYSIS

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Thursday February 22 1996

America unsettled

"People voted their hopes not their fears." Pat Buchanan's own interpretation of his victory in Tuesday's New Hampshire primary will not be widely shared outside his own camp. To an outsider, Mr Buchanan appears to be playing with great skill on the fears of all those Americans who see the traditional American dream slipping away from them. Exit polls suggest that in New Hampshire he scored highest among people who earn less than $30,000 a year. Certainly his rhetoric seeks to identify him with groups who see themselves as victims, rather than beneficiaries, of economic and social change.

Mr Buchanan is generally depicted as the candidate of the far right. But he is not rightwing in a traditional American sense. His main message is not that government should be cut down to size, that taxes should be cut, that people should be left free to sink or swim in a free market. For him, big business is not an inspiring model but an enemy, which callously throws American workers out of their jobs in order to maximise profits by shifting production to low-wage plants abroad. And the victims, in his view, are entitled to look to the state for protection, notably in the form of tariffs. That view has historically belonged more on the left than on the right of American politics. In recent times, it was articulated mainly by labour unions.

Republican disarray

The populist thrust of Mr Buchanan's campaign thus differs significantly from the libertarianism of the "Republican revolution" which brought the party a majority in both houses of Congress in 1994. His success reveals an astonishing degree of disarray in a party which seemed only a year ago to be carrying all before it. No doubt it delights the Clinton camp, much as the rise of Jean-Marie Le Pen in the 1980s comforted the late President François Mitterrand by dividing his opponents. Conventional wisdom has it that Mr Buchanan is "unelectable". Therefore the stronger he becomes within the Republican party, the safer a Democratic president's re-election must look.

For that very reason, non-Buchanan Republicans have tended to assume, up to now, that Mr Buchanan cannot actually win their party's nomination. The assumption has been, and by and large still is, that his support represented a protest vote rather than a serious bid for power, and that in the end the bulk of Republican voters would swing behind a candidate with a real chance of beating Bill Clinton.

Dole weakening

The trouble is, it is less and less obvious who that candidate could be. Until last week, it was taken almost for granted that it would be Senator Bob Dole. But the argument for rallying round him weakened as opinion polls showed him falling behind the president, especially after his wooden and awkward response to the state of the union address last month.

That in turn explains the late rise of Governor Lamar Alexander, a younger and more engaging mainstream Republican whom the Clinton strategists are alleged to fear because he could plausibly challenge the president for the centre ground. But a creditable third place in Iowa and New Hampshire is not quite the same thing as a credible base for a unifying candidature.

Mr Buchanan scores well in opinion polls as someone who "stands up for what he believes". It was partly on that basis that many Republicans backed Goldwater in 1964, and many Democrats backed McGovern in 1972. In both cases, since victory against an incumbent president seemed out of reach, the party decided to abandon the demeaning compromises of centrism and to go down fighting behind a champion who at least clearly stood for something different.

Is 1996 really that sort of year? Six months ago Mr Clinton looked eminently beatable. It is not that hard to imagine that in another six months he might do so again. Meanwhile, Mr Dole and other mainstream Republicans must learn to stand up for what they believe. Mr Buchanan may accurately echo the fears of many middle and working-class Americans. His isolationist politics and protectionist economics do not offer any genuine reassurance.

A gun has been fired

It is a measure of the depth of the crisis in the European defence industry that even Mr Serge Dassault, who has so long fiercely guarded his company's independence, has bowed to pressure to merge Dassault Aviation with Aerospatiale. The announcement that Mr Alain Gomez is to leave Thomson, the defence electronics giant, as the company is prepared for privatisation is almost as surprising: he has been the company's driving force. But the developments make clear two things. First that Mr Chirac's administration feels under intense pressure to do something to rationalise the European defence business. And second, that it is not prepared to allow the industry's dominant personalities to get in the way of change.

While France has responded, it is not yet clear whether it has made the right move. There is a hint in these changes that France is marshalling its companies to give them greater weight in discussions about cross-border mergers, which hardly solves the main problem. Banging together smaller loss-making companies into larger loss-making businesses is not a sufficient response to the emerging US defence leviathans. Scale is only the first requirement; substantial cost cutting is the harder and more significant choice which France has yet to make.

Only when the rationalisation begins and union opposition is faced down will potential international partners be clear that France has taken the problem seriously. Only then will it be possible for German and British companies to form fully integrated and competitive defence companies with their French counterparts.

Acutely aware

Still, France has at least now acted, which is more than can be said for the rest of Europe. And while the French measures will not make international rationalisation easier by themselves, they may act as a catalyst. It seems that everyone is talking to everyone else in the European defence industry at present, with the result that the number of permutations for alliances is spiralling.

Executives in each of the companies involved are acutely aware that the alliances which are struck first may then dictate the shape of subsequent moves. Setting an agenda and a timetable will confer huge advantages on those ready and able to move, as Lockheed Martin has proved in the US.

Trigger fingers

Yet while companies have itchy trigger fingers, government procurement policies across Europe have not yet shifted sufficiently to give the industry a clear target at which to aim. France still seems to regard the idea of competitive procurement as a quaint Anglo-Saxon obsession; Germany says that it wants more defence work allocated competitively, but has yet to make all the tough decisions necessary to back that up; Britain still ponders the philosophical niceties of a perfectly competitive defence market in a manifestly political arena. None of these countries has yet made the hard compromises on equipment programmes or on policy which would make a single European defence equipment market a reality.

There are concrete opportunities to change that in several current arms programmes. On the proposed Multi-Role Combat Vehicle, Britain should swallow its pride and accept the detailed Franco-German specification, while France should bow to the idea of a competition for who should make the "battlefield taxi". On the Future Large Aircraft military transporter, all three countries could press ahead with a commercial product built by Airbus, but backed by firm government orders at fixed prices. The programme for a common new missile to arm the Eurofighter and the French Rafale should be run as a European collaborative development with companies competing for work.

Each of these programmes would provide a solid block of work for the new Franco-German arms agency, which it makes much sense for Britain to join. All that is lacking at the moment in European defence ministries is the political will to make both collaboration and competition work.

Leaky lifeboat of subsidies

Help from governments for ailing shipbuilders has failed to create a competitive industry in Europe, says Stefan Wagstyl

The collapse yesterday of Bremer Vulkan, Germany's largest shipbuilder, comes at a critical time for the European shipbuilding industry.

Ever since Japan in the 1960s and by South Korea in the 1970s first challenged the dominance of Europe's shipbuilders, European companies have struggled to remain competitive and have turned to governments for financial support.

After a decade of recession, demand for new ships is now recovering as the vessels built in the 1970s are scrapped and replaced. But this is is unlikely to bring European yards much relief. South Korea is increasing its capacity by at least 50 per cent and China is preparing to enter the international market.

European governments, moreover, are less willing to subsidise the construction of ships. Shipbuilding nations, including Japan, Korea and the US, as well as European Union members, are planning this year to implement a global pact on ending subsidies.

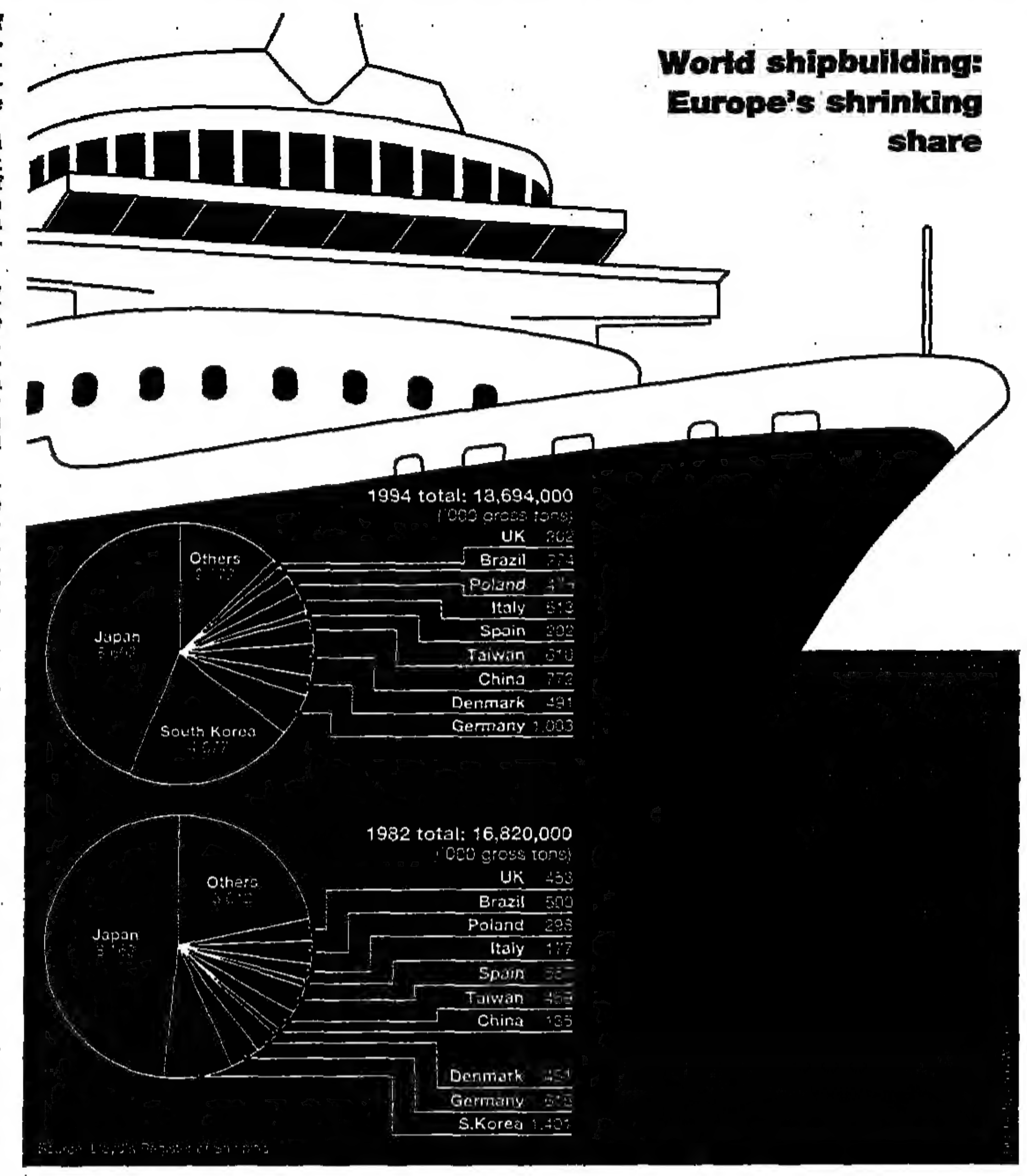
Bremer is not the only European yard to be feeling the pressure. Last year, Burmeister & Wain, Denmark's oldest yard, went into receivership after 152 years. Greece is struggling to find a buyer for the state-owned lossmaking Hellenic Shipyards, the largest in the eastern Mediterranean. Madrid is facing difficulties restructuring Astilleros Espanoles, the state-owned yards which have run up accumulated losses of about $3bn (£1.94bn).

Despite the taxpayers' money poured into the industry, western Europe's share of the world's shipbuilding capacity has fallen from nearly 40 per cent to under 20 per cent in the past two decades. As Korean capacity has grown over this time from negligible levels to more than 2m tons a year, western Europe's has dropped from 8.5m tons to about 3m tons. To staunch losses, operators have reduced and closed yards, notably in the UK. Job cuts have been harsh: employment in European shipbuilding since 1975 has fallen from 460,000 to under 120,000.

But further decline is not inevitable. European yards have countered the east Asian challenge by pulling back from making the large tankers and dry-goods carriers at which the Japanese and Koreans excel. They have focused instead on high added-value vessels such as gas and chemicals carriers, ferries, and, above all, cruise ships. Although these account for only about 10 per cent of the market by weight, they make up about one third by value.

There is also scope for raising productivity and profits in the manufacture of even run-of-the-mill tankers and container ships. Despite the strength of the yen and the competition from nearby South Korea, Japanese companies have retained more than 40 per cent of the global market by attention to management efficiency. "The Japanese are brilliant at running their yards. It's not a matter of technology. It's the way they organise themselves," says Mr Nick Granger, director of the UK Shipbuilders and Shiprepairers Association.

However, the pursuit of productivity in Europe has been complicated by the subsidy regime. The European Commission, which runs a EU-wide agreement, is convinced that without government support, the industry would have been devastated. "It's ludicrous to suggest we should do without subsidies when the rest of the world has them," says a senior official.



Such views broadly reflect those of the industry in Europe, but there are those who question the value of continued subsidies. Mr Thorkil Christensen, managing director of the Shipbuilders' Association of Denmark, says that even though subsidies have been necessary they have also undermined Europe's ability to compete. "They are a feather pillow on which we can fall asleep."

Over the past 10 years the European Commission has tried to reduce subsidies, hoping to concentrate output in the most efficient yards. But it has often bowed to political pressure to grant exceptions from subsidy limits, notably in Spain, Portugal and Belgium, and more recently in east Germany.

The official maximum subsidy has dropped from 20 per cent of a ship's contract value to 9 per cent, and is supposed to be phased out altogether this year under an agreement among the OECD countries.

Actual subsidies, however, exceed official limits. A UK Department of Trade and Industry study last year calculated the maximum available benefits for ship financing reached nearly 30 per cent of the contract price in Spain, 29 per cent in Denmark, 16 per cent in the UK and 14 per cent in Germany.

Even these figures covering ship finance subsidies exclude general aid for restructuring industry – such as the funds controversially given to Bremer for modernising its east German yards and the money used in Spain to bail out state-owned yards. Even the Commission does not know the true extent of subsidies since member countries have not filed reports on the matter since 1991.

The proliferation of aid may have supported shipbuilding through years of acute competitive pressure. But it has not created a healthy industry. In comparison with Korea, where there are just four big groups, and Japan, which has six, western Europe's shipbuilders are mostly fragmented into national operations. Despite the extensive restructuring which has already taken place, a reorganisation of Bremer Vulkan may only be one more painful step on a long road.

Shipbuilder that ran aground

Mr Friedrich Hennemann, the former chairman of Bremer Vulkan, was in his usual self-confident mood last Sunday. Taking part in a television chat show, he expressed little concern about the European Commission's allegations that Bremer Vulkan had misused DM600m of subsidies destined for the group's two shipyards in eastern Germany.

He also brushed off questions about mismanagement and the fate of the 23,000 workers if Bremer Vulkan were declared bankrupt.

But yesterday Bremer Vulkan's new management, appointed only two months ago, announced it would file for protection from its creditors. The company said many of its divisions were insolvent and the group expected losses of more than DM1bn for last year.

"The past has finally caught up with Bremer Vulkan," says a banker involved in the privatisation of east Germany's shipyards and their sale to Bremer Vulkan, based in the north German city-state of Bremen. "It was just a matter of time before the politicians and Brussels would call it a day."

Options are limited for the managers and politicians seeking a rescue. "The management could try and break it up and sell off some of its divisions. But the only one showing any profit is the electronics subsidiaries," a company official says. Any break-up of the group would be resisted by IG Metall, the engineering union, and possibly by the Bremen government since it would lead to job losses.

And the European Commission, whose anger over the fate of its aid money triggered yesterday's announcement, has so far refused to approve more subsidies.

Bremer Vulkan's problems were not fully appreciated until the removal last autumn of Mr Hennemann as chairman. During the 1980s, Mr Hennemann had been a state secretary for economics in the Social Democratic-controlled Bremen government; and until 1986, when Bremer Vulkan was privatised, the city had been the largest shareholder in the company. A year later, Mr Hennemann took over as chairman. "The city authorities never questioned what Hennemann was doing with city-backed loans; they had the same political colours. And Bremer Vulkan was the city-state's biggest employer," says a company official.

Officials of the Treuhand, the former privatisation agency, had complained privately that under Mr Hennemann, Bremer Vulkan had failed to meet its investment commitments to east Germany on time, and had failed to restructure the east German yards, especially the Volkswerft yard at Stralsund.

Before German reunification, Stralsund had made fishing vessels for the Russian market. "But Bremer Vulkan never retrained the staff to world market standards," says a Treuhand adviser.

The Treuhand was reluctant to criticise publicly Bremer Vulkan's activities in eastern Germany lest questions were raised about the Treuhand's privatisation methods and the use of subsidies. Meanwhile, politicians in Bremen preferred to turn a blind eye to Mr Hennemann's management style out of political loyalty.

"He diversified. He bought units which could not be integrated," says Mr Heiner Haseler of Bremen University. "These included the east German yards. He did not have experts to deal with the growing competition from the South Koreans whose costs are a fifth lower than Germany's. And there was not enough scrutiny by the city authorities."

That changed last May when the Social Democrats lost their majority in Bremen and were forced to play junior partner in a Bremen government headed by the conservative Christian Democrats. "This was the turning point," a Bremer Vulkan official said this week.

The CDU inherited a budget deficit of DM18bn as well as high unemployment. When Mr Hennemann last September asked the banks for a DM300m credit line to help finance the construction of a cruise liner, the banks agreed, provided they were backed by government guarantees. "By then the CDU was becoming impatient. They wanted to know how much Bremen was backing Mr Hennemann and why the company was asking for credits when it had been told that a restructuring programme started in 1993 was on track," the Bremer Vulkan official says.

The new state government's concern coincided with pessimistic forecasts from management. These included losses of DM200m for Dörries Scharmann, its machine-tool subsidiary, which precipitated the decision by the supervisory board to remove Mr Hennemann.

By the time Mr Udo Wagner, former finance and controlling director of Asea Brown Boveri, was installed as chairman in December, it was apparently too late to avert the crisis that came to a head yesterday.

Judy Dempsey

· OBSERVER ·

Not so National

■ A shake-up is surely looming at state-owned National Bank of Greece, the country's largest banking group.

National has had a reputation for accommodating politicians, and fielding requests for special loans to prominent businessmen and shipowners who were close to the ruling socialists.

It is probably no coincidence that the bank boasts the highest percentage of doubtful loans of any Greek bank – some 60 per cent of its total portfolio, according to insiders.

Mirkos was sacked last week by the new prime minister, Costas Simitis – provoking noisy protests from socialist MPs – and was replaced by Theodoros Karatzas, a straight-laced financial lawyer whose family firm is highly rated by overseas investors.

As finance undersecretary in the mid-1980s, Karatzas launched a series of capital market reforms in Greece.

Since then, the Athens stock market has flourished, mutual funds have taken off and dozens of bright Greeks have quit their jobs on Wall Street or in the City of London to work in financial services at home.

With Karatzas at the helm, National will be able to attract much-needed talent. A giant rights issue is also planned for later this year, after which the state will be only a minority shareholder. Who knows, lending on political criteria might even disappear.

Customary

■ Flexible Renaissance types, these top French political advisers.

Pierre-Mathieu Duhamel, deputy director of prime minister Alain Juppé's private office, wanted a change from his role as adviser on economic and financial matters.

So Juppé did his best to place him at CIC, a bank owned by GAN, the state-controlled insurance group. A public outcry ensued at the idea of bringing in an outsider, in turn prompting a change of plan.

Duhamel was yesterday named head of French Customs instead. Hey, banking, tax, economics. It's all pretty much the same game, n'est-ce pas?

Packing it in

■ Kerry Packer has been playing truant. The official report for 1995 of the board charged with organising the 2000 Olympic Games in Sydney records that the billionaire media tycoon and polo nut attended only three out of 12 board meetings last year.

He did not even turn up for the official photograph. Which perhaps explains why Packer has handed in his notice as a a member of the Sydney Organising Committee for the Olympic Games (Socag).

Better to resign than be expelled.

J'accuse

■ A modicum of "science" has now been applied to the Eastern seaboard game of guessing the author of roman à clef Primary Colors currently topping the New York Times best-seller list.

New York magazine collared Vassar English professor Donald Foster who has supposedly demonstrated with the aid of computer analysis that an obscure elegy must have been the work of Shakespeare. Foster set to work on the inside story of Bill Clinton's 1992 presidential campaign, and compared author Anonymous's use of language with that of the published writings of a host of the leading suspects.

After forays up very many blind alleys, Foster alights on a candidate whose "profile of his active vocabulary forms a matrix closely matching that of Anonymous". Similarities range from a predilection for the word "mode" to a love of huge compound words. Quite a telling point is peculiar usages, such as the word "riffle" to mean rifle or to rustle, "a usage for which the Oxford English Dictionary supplies no instance in the past thousand years". Once the computer has done its work, Foster looks at wider context – anything from a fascination with the nuanced meaning of a hand shake to the fact that Newsweek comes in for some rather flattering mentions in the course of the novel.

Finally, Foster reckons he gets the joke. Black narrator Henry Burton kicks off the book: "I am small and not so dark". Hence Foster points the finger at white Newsweek columnist Joe Klein (small, geddit?).

Satellite news

■ There could shortly be a big demand for hard hats around Limerick in southern Ireland. Astronomy Ireland, a body which keeps its eye on happenings up above, says a Chinese satellite could land on the city sometime between now and March.

The errant satellite, the size of a small car, was launched in late 1993 but soon threw a wobbly. County Wicklow, just south of Dublin, is another area where people might find unexpected things dropping out of the sky. "The resulting damage from what would essentially be a one-tonne bullet travelling at a speed of 1,000mph would put the Chinese in a very uncomfortable political position" says Astronomy Ireland. But in the satellite tracking business the margin of error is fairly generous. Predictions are accurate "give or take 400,000 miles."

The Financial Times

100 years ago

Tehuantepec Exploration Co
The Chairman said at the first general meeting of the company, held in London: The property we are developing consists of 15,000 acres of the finest land selected on a spur of the Sierra Madre near the important town of Suchil. The property is in proximity to the newly opened Tehuantepec Railway, which connects the Atlantic with the Pacific coast. The future of the line is assured by the fact that the cotton spinners of Japan who desire to find a quick method of reaching the cotton districts of the United States, and the Japanese Government, have consented to subsidise a line of steamers from Yokohama to Salina Cruz, the terminus of the railway, with the object of carrying cotton from New Orleans and Galveston.

50 years ago

Far East war damage
A difficulty is the distinction between destruction perpetrated by the Japanese in the course of military operations and that done by Imperial [Allied] troops, or the companies themselves (under orders) as part of a "scorched earth". The whole matter bristles with difficulties, but it vitally affects the interests of two basic industries of the British Empire, rubber and tin.

FINANCIAL TIMES
Thursday February 22 1996

EU federalist agenda set to go before conference

Brussels advances plans to end the national veto

By Emma Tucker in Brussels

Brussels is advancing plans to seek an end to the national veto that each member state can wield on European Union decisions.

The European Commission yesterday debated a paper to be presented at the intergovernmental conference next month, which proposes ending the veto for fear that it will make some decisions all but impossible in an enlarged EU of up to 27 countries.

The document, drawn up by Mr Marcelino Oreja, the commissioner in charge of preparations for the IGC, reflects the position of several of the EU's more federalist-minded member states, led by Germany.

But in spite of its ambitious language, it is likely to meet stiff resistance from the UK, which is determined to maintain the national veto.

"In an enlarged union, maintaining unanimity would bring paralysis. The Commission therefore proposes the systematic discarding of unanimous decision-making," says the draft proposal.

The document suggests that in sensitive areas – such as fiscal matters and judicial co-operation – unanimity should be replaced by a new form of "super-qualified" majority voting, which would make it easier for the Commission to get proposals that currently require unanimity through the European Council of Ministers. But this would be harder than under the present qualified majority voting system, which requires 71 per cent of the votes of member states.

The national veto would only apply to the use of military power and reform of those parts of the EU's founding treaty that deal with constitutional issues.

The report says that sections of the treaty that deal with policy areas should be subject to revision by a super-qualified majority of member states, a demand that will be particularly strongly resisted by the UK.

It advocates wholesale reform of the EU's approach to justice and home affairs, currently a matter for consensus between national governments. It would like issues such as combating fraud, terrorism, organised crime and drug trafficking to be subject to qualified majority voting, although it concedes that police and judicial co-operation in civil and penal matters are too sensitive for such treatment.

In another radical departure the Commission promotes the idea of allowing groups of member states to press ahead with policies that are unpalatable to others. While Brussels rejects *à la carte* European regulations, it says those countries that want to pursue certain objectives should not be held back by others.

Thus countries could pursue arrangements similar to the Schengen agreement – under which seven EU countries have agreed to dismantle their internal border controls. Outsiders would retain the right to "opt-in" at later dates.

Above all, the Commission wants to prevent the further use of "opt-outs" from treaty provisions – a practice employed by the British to avoid the Maastricht treaty's social protocols.

Unilever links with green group to protect fish stocks

By Alison Maitland in London

Unilever, one of the world's biggest buyers of frozen fish, is joining forces with the World Wide Fund for Nature in the first attempt to harness consumer power to tackle the global fisheries crisis.

The partnership, to be announced today, aims to create a new standard for fish products from "sustainable" sources. The idea is that this would become the industry norm, forcing industrial fleets to change their indiscriminate fishing practices if they want to keep their markets.

An independent Marine Stewardship Council would operate the standard, which would be carried as a logo on retail products from accredited fishing grounds. "Consumer power is an extremely effective force for conservation," said Mr Michael Sutton, director of WWF's endangered seas campaign.

The partnership with Unilever is a coup for the conservation movement. The Anglo-Dutch consumer goods group has about 20 per cent of the European and US frozen fish market, and global sales worth just under £600m. Its leading brands include Birds Eye in the UK, Iglo in continental Europe and Gorton's in the US.

Unilever has pledged all its fish products will be accredited by the Marine Stewardship Council by 2005. "Our standards are pretty tough but we want to make them tougher," Ms Caroline Whitfield, Unilever's international fish manager, said.

Some 70 per cent of the world's commercially important fish stocks are fully fished, over-exploited, depleted or slowly recovering, the United Nations Food and Agriculture Organisation says. There are more than 1m industrial fishing vessels with large trawl gear often catching unwanted and undersized fish.

The world's annual fishing catch is about 85m tonnes, but a further 27m tonnes are discarded. Quotas, treaties and national enforcement have failed to halt the decline in stocks, said Mr Sutton, adding: "This initiative is designed to complement regulation. The problem has not been a lack of scientific evidence [about stocks] but a lack of political will. We hope to make it easier for politicians and regulators to do their jobs by swinging the market in favour of sustainability."

Big fishing nations such as Japan, South Korea and Spain and small indigenous fishing groups will be consulted over the next two years to draw up broad principles and standards for individual fisheries.

Unilever and WWF have each pledged at least £100,000 to the consultation exercise. They are seeking further funding for a process expected to take two years and cost about $350,000 a year.

US elections

Continued from Page 1

like beating the 88 per cent racked up by Mr Ronald Reagan in 1984, the last time an incumbent president ran essentially unchallenged in New Hampshire.

Expressions of concern over Mr Buchanan's maiden primary victory – he lost all those he contested against President George Bush in 1992 – came from across the Republican establishment. No prominent Republican said they saw him winning the party's nomination, let alone the presidency, but there were no significant new expressions of support for Mr Dole or Mr Alexander.

On Saturday, the race moves to Delaware, where only Mr Forbes has campaigned but where Mr Dole, typically, has the endorsement of most prominent local Republicans.

Volvo dented

Continued from Page 1

SKr4bn to SKr5bn, returning an operating margin of 9.9 per cent.

Lower demand at the end of the year prompted Volvo to cut truck production capacity in the US and Europe, but it expects world demand in 1996 to remain high. Group sales in 1995 rose from SKr156bn to SKr171.5bn, driving operating profits up from SKr9.4bn to SKr10.2bn.

The company announced details of its planned spin-off to shareholders of Swedish Match, the tobacco and lighter group wholly owned by Volvo. It said one Swedish Match share would be handed out for each Volvo share, to be listed in Stockholm and Nasdaq in New York in May.

Italy develops new taste for statistics

By Robert Graham in Rome

Red vermouth, dried figs, tripe, children's biscuits and men's hats have ceased to be an essential part of Italian household spending.

At least this is the judgment of Istat, Italy's state statistics institute. It has just prepared a new, larger basket of items on which to base the consumer price index, and these are some of the goods removed from the list.

It is the first change in the basket since 1992 and one of the biggest reassessments of what influences the household budget and its impact on inflation. The changes reflect both a more sophisticated basis of calculation and the fast-evolving habits of a more technology and health conscious society.

The weight of health items in the basket that makes up the index has more than doubled to 5.8 per cent. Goods and services – notably telecommunications and financial services – also count for more, amounting to nearly 10 per cent of the basket.

The basket includes 34 types of telephone service, while the number of medicines and medical products has risen from 18 to 72. In contrast, the relative importance of leisure activities and costs in bars and restaurants has declined, as has that of new cars.

Istat has removed 23 items or groups of items from the basket. Children's biscuits have disappeared because of Italy's increasingly low birth rate and changing patterns of child nutrition. The removal of dried figs reflects both dietary changes and the impact of improved conservation methods for fresh or frozen foods. Hats are no longer so fashionable for men, while red vermouth finds few takers.

Chewing gum is one of the 22 new additions, mirroring increased demand from nervous ex-smokers. Electric wiring has been included because of the do-it-yourself boom. The institute has also recognised the trend towards educational courses, especially language tuition. The overall weight of educational items in the index has grown from 0.4 per cent to 1.9 per cent.

But Istat has further sought to reflect differences between regions. Thus, the food basket, the biggest everywhere, varies from being as much as 27 per cent of the price index in parts of southern Italy to only 17 per cent in Emilia Romagna.

The index, unveiled yesterday with data based on January, showed inflation beginning to cool, running at an annualised 5.5 per cent. This was the lowest rate since May last year, but remains well above the European Union norm.

Further evidence will be necessary to confirm the positive trend. The Bank of Italy has indicated it will only feel comfortable about the downward trend by looking at the average inflation rate for the first quarter. The January figures have been helped by the government's decision to freeze some tariff increases ranging from telephones and autostrada tolls to train fares and electricity charges.

THE LEX COLUMN

Defensive manoeuvres

France yesterday fired a starting gun which could lead to a wholesale restructuring of western Europe's defence industry. The process may be tortuous. But by promising to privatise Thomson and merge state-owned Aérospatiale with private-sector Dassault, the French government has taken the first steps.

The next stage is likely to involve cross-border rationalisation. Such a radical move has hitherto been prevented by concerns over national sovereignty. But western Europe's thinking about its defence industry is undergoing a sea-change. The mega-mergers in the US – notably this year's Lockheed Martin/Loral deal – have forced it to face the fact that its fragmented industry is becoming dangerously uncompetitive. These pressures are compounded by shrinking defence budgets. France has so far avoided big cuts. But, as it prepares for a massive retrenchment later this year, many of its companies are staring into the financial abyss.

That said, France's rethink is not complete. It is, at present, unwilling to break up Thomson or Aérospatiale. In Thomson's case, such a stance is particularly illogical. The group's wholly-owned consumer electronics business has virtually nothing in common with Thomson-CSF, its majority-owned defence electronics business. It would be better for Thomson to sell its Thomson-CSF stake and use the cash to repair its tattered balance sheet. Privatising Thomson as a single entity will make it harder to attract industrial partners – though not as difficult as it currently is.

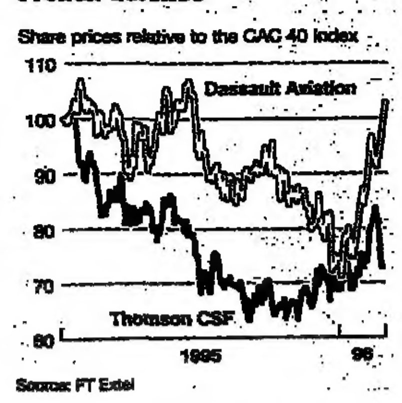
Meanwhile, a combined Aérospatiale/Dassault will hardly be a financial or industrial powerhouse. There is a risk that Dassault's small cash pile will be swallowed up in Aérospatiale's black hole; it will certainly not be enough on its own to recapitalise the state-owned aerospace group. Nor can Aérospatiale avoid further cost-cutting if it wants to turn a profit.

The industrial logic of a merger is also weak: there is precious little overlap between Dassault's military aircraft business and Aérospatiale's civilian operations. That said, a merged Aérospatiale/Dassault would probably be in a better position to negotiate a broader merger with British Aerospace or Germany's Daimler-Benz Aerospace (Dasa) – which make both military and civilian aircraft.

Western Europe's defence industry ideally should – and ultimately might – be restructured into three large

FT-SE Eurotrack 200:
1530.1 (+6.6)

French defence



Source: FT Extel

transnational groups. First, a civilian aircraft business, based on Airbus – in which Aérospatiale, BAe and Dasa are the leading shareholders. Second, a military fighter business, based on the Eurofighter, led by BAe, Dasa and Italy's Alenia but also including Dassault. Third, a defence electronics group combining Thomson-CSF, the UK's GEC-Marconi and France's Matra. With a clear chain of command and fairly homogeneous businesses, such groups could achieve the economies of scale to compete with the likes of Lockheed Martin and Boeing.

Such a utopia is clearly some way off. And the first steps, like France's yesterday, may be far from perfect. But it would be unrealistic to expect the industry to transform itself in a single jump.

Bremer Vulkan

Bremer Vulkan is heading rapidly for the rocks. The fact that Germany's biggest shipbuilder has filed for protection from its creditors is a blow for a country which prides itself on its engineering excellence. The Klöckner steel group and Metallgesellschaft both survived a similar brush with bankruptcy. But in this case, the different priorities of management, creditors and politicians will make it tricky to hammer out a rescue package. And the numbers are staggering. Only weeks ago, Bremer forecast a 1995 loss of DM200m ($137.6m). Now it puts the figure at DM1bn and says it needs a cash injection of DM2.5bn. While the order book looks healthy, many of those contracts have been taken on at loss-making prices.

That leaves the banks with a stark choice. Under any settlement, they will be asked to forgive a big proportion of their loans, probably 40 per cent or more. With most of these loans guaranteed by the government or secured on individual ships, letting Bremer go bust may be more attractive. Work on existing projects would probably continue under a receiver. The banks might do a deal if Bremer promised a radical restructuring and focused on its recently modernised east German shipyards. But that idea would run into heavy opposition from the Bremen government, which wants to preserve local jobs.

Even after their 46 per cent tumble yesterday, the shares are probably worthless.

Nuclear privatisation

Talk of a trade sale of British Energy looks distinctly optimistic. At any rate Duke Power, the US company said by the British government to be sniffing around, energetically denies it. But ministers are still right to explore the possibility. A trade sale would avoid all the awkwardnesses of selling nuclear power shares to the public. And if Mission Energy's acquisition of the National Grid's pumped storage business is anything to go by, a US bidder might be coaxed into paying a premium price. Fears that such a buyer could extract bumper profits and then walk away from big long-term liabilities look wide of the mark: British Energy has to pay annual contributions into a segregated decommissioning cost fund to avoid precisely this possibility.

But are these contributions enough? The House of Commons trade and industry committee report, published yesterday, argues not. It points out that some long-term costs, such as disposing of intermediate and high-level waste, will have to be borne after the last nuclear power station has closed – but are not expected to be covered by the segregated fund. As the committee rightly says, they should be. Although this could nearly double the company's annual contributions to the fund, its free cash flow could comfortably absorb it.

The committee's attitude is striking for another reason. It has conspicuously ignored arguments that British Energy needs to be relieved of some liabilities before it can be successfully sold. This scepticism is fully justified.

Additional Lex comment on Lloyds Chemists, Page 16

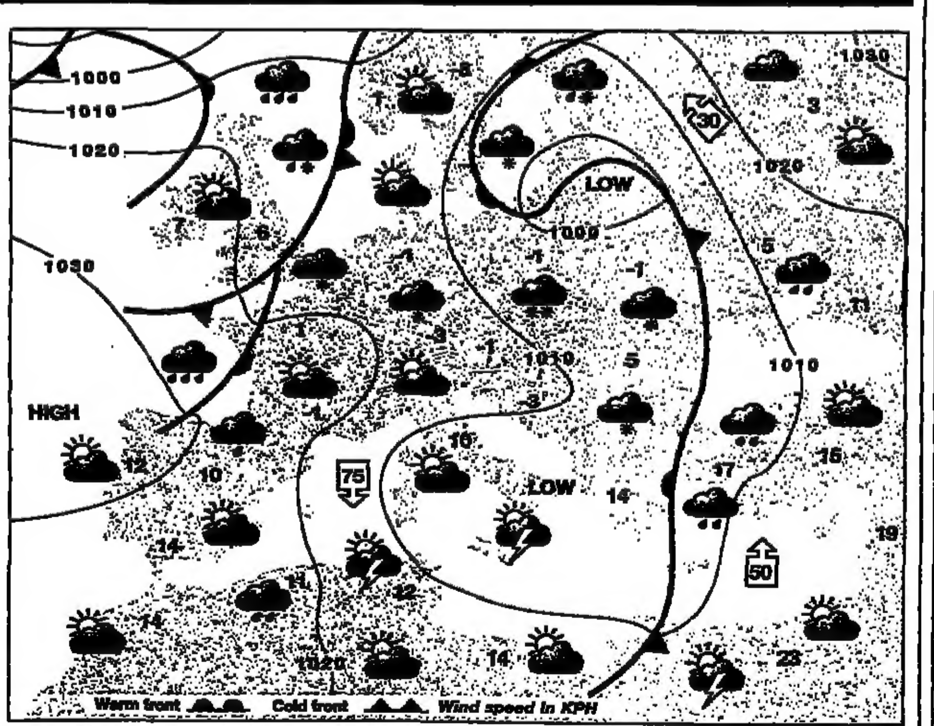
FT WEATHER GUIDE

Europe today

A surge of milder air from the Atlantic will begin to replace the cold air over the western part of the continent. Temperatures will gradually increase over the British Isles, the Benelux and western France. A frontal zone will cause cloud, snow and rain in western France and later in the south-west of the Benelux. The Rhone valley will still have a strong and cold Mistral. Rain will perist over northern Spain and Portugal but the rest of the Iberian peninsula will have abundant sun. A depression over north-eastern Poland will bring cloud, snow and sleet to Finland, the Baltic states, Poland, the Balkan states and the Alps. Italy, Greece and especially western Turkey will continue unsettled with rain and local thunder showers.

Five-day forecast

High pressure from the Atlantic will move over south-western Europe resulting in more settled conditions in central and eastern Europe and the Mediterranean. Frost over central Europe will slowly retreat to the north-east. Increasing south-westerly winds will draw milder air over western Europe from Saturday. A series of frontal systems will bring rain and drizzle to south-western Scandinavia, the North Sea area, the British Isles and north-west France.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius															
			Beijing	sun	3	Caracas	fair	30	Faro	sun	14	Madrid	fair	8	Rangoon	cloudy	33
			Belfast	fair	6	Cardiff	fair	7	Frankfurt	cloudy	1	Majorca	fair	9	Reykjavik	sleet	3
Abu Dhabi	cloudy	24	Belgrade	cloudy	1	Casablanca	fair	13	Geneva	cloudy	0	Malta	shower	12	Rio	thund	32
Accra	fair	32	Berlin	snow	-1	Chicago	cloudy	7	Gibraltar	sun	14	Manchester	cloudy	7	Rome	fair	10
Algiers	rain	8	Bermuda	rain	19	Cologne	fair	0	Glasgow	cloudy	6	Manila	fair	31	S. Frsco	cloudy	13
Amsterdam	cloudy	2	Bogota	fair	22	Dakar	fair	24	Hamburg	cloudy	-3	Melbourne	fair	32	Seoul	fair	4
Athens	shower	16	Bombay	sun	34	Dallas	sun	31	Helsinki	snow	-7	Mexico City	sun	25	Singapore	shower	31
Atlanta	fair	23	Brussels	snow	1	Delhi	sun	27	Hong Kong	rain	9	Miami	sun	28	Stockholm	snow	-5
B. Aires	fair	28	Budapest	snow	-1	Dubai	shower	24	Honolulu	cloudy	25	Milan	cloudy	7	Strasbourg	cloudy	1
B.ham	fair	6	C.hagen	cloudy	-2	Dublin	fair	7	Istanbul	rain	14	Montreal	rain	2	Sydney	shower	23
Bangkok	fair	35	Cairo	sun	23	Dubrovnik	shower	9	Jakarta	shower	30	Moscow	cloudy	4	Tangier	fair	13
Barcelona	fair	9	Cape Town	shower	21	Edinburgh	fair	6	Jersey	rain	7	Munich	snow	-3	Tel Aviv	sun	20
									Karachi	sun	31	Nairobi	fair	30	Tokyo	fair	9
									Kuwait	fair	20	Naples	fair	8	Toronto	cloudy	1
									L. Angeles	cloudy	15	Nassau	fair	27	Vancouver	rain	6
									Las Palmas	cloudy	21	New York	shower	11	Venice	fair	7
									Lima	cloudy	26	Nice	sun	10	Vienna	snow	0
									Lisbon	sun	12	Nicosia	sun	18	Warsaw	snow	-1
									London	rain	6	Oslo	cloudy	-6	Washington	fair	12
									Lux.bourg	fair	-1	Paris	sleet	3	Wellington	fair	19
									Lyon	cloudy	-1	Perth	sun	31	Winnipeg	rain	4
									Madeira	fair	16	Prague	snow	-2	Zurich	snow	-2